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>> Mayor Reed: Good morning. Call the city council meeting to order for the morning session. We have one item scheduled here in the open session and then we will adjourn into closed session as soon as we finish this. This is the labor negotiations update. Alex Gurza will take the lead.

>> Alex Gurza: Good morning, mayor, members of the city council, Alex Gurza, Director of Employee Relations. Again, as we do every week, want to remind anybody who may be watching on the Internet or on television, that we have a lot of information available regarding labor negotiations on the City's Website, including all proposals that are made by bargaining units to the city and vice versa, all available. We post them on the day they are presented. So the proposals that we're going to be discussing today, we provided them to the city council, in hard copy but they are also all available on the City's Internet site. We thought it would be a good opportunity to go over briefly the authorization that the council has provided to the -- its negotiators in trying to achieve in the negotiations this year with all the bargaining units. Very briefly, it's a 10% ongoing, total compensation reduction. It's to roll back general -- any general wage increases that were received in fiscal year 10-11. It's to achieve health care cost containment including cost share and co-pays, reduced health and dental in lieu and eliminate dual coverage. And then there was a large number of additional reforms that council authorized us to negotiate changes. And the summary of those are on this page. Probably the most significant and largest issue is retirement reform, both for pensions and retiree health care. Looking at benefits for new employees as well as to explore options for changes for current employees and retirees. Another reform is looking at the compensation structure, to look at eliminating automatic step increases that apply to our nonmanagement employees, who move along a pay scale with automatic 5% increases. To modify the step structure and also to look at modifying overtime eligibility. In addition, other reforms are: Disability supplement which the city has proposed to eliminate for the nonsworn bargaining units, for the sworn bargaining units it is covered by state law. Vacation sell-back which applies again not to all city employees but to our management and professional employees and the city has proposed to eliminate those. Sick leave payout, in addition proposed to eliminate those and also we have various contractual and operational issues that apply to some bargaining units and not others. So that is a very brief recap of the direction that you gave to your negotiators as we entered into the negotiations this year. So as we have been doing, we have a one-page slide on our now, ten bargaining units. We don't have local 230 there because that is on your open session agenda this afternoon, for your consideration of

approval of the tentative agreement. As you may recall, we were negotiating with five bargaining units at the same time. They are the first three that are listed there, in addition to the following two, which is AEA engineers and architects, the maintenance supervisors, CAMP, city association of management personnel and the other two building inspectors and electricians. Last week, the -- we now are negotiating separately with the building inspectors and the electricians and continuing to work together with the coalition of three which is listed at the top. So since last week, related to the coalition on March 16th the city provided the second package proposal to the all five at that point. Want to clarify that to make clear on the 16th we proposed a package proposal to all five of the bargaining units and then on the 17th, the coalition of then the three proposed a package proposal back to the city in a two-year term. And that proposal, tax proposal is before you and then yesterday, the city provided a third package proposal to those three bargaining units listed there on a two-year term. The building inspectors have not provided any new or additional proposals since we last met. And nor has the electricians or OE 3, it's listed there. Our team met with MEF and CEO, the two AFSCME affiliated unions yesterday and they provided four additional proposals on individual issues. Those are before you and also on our Website. And we have not received any additional proposals from the association of legal professionals. And for the POA we have not yet, as of this date, received any proposals from the Poa since the beginning of bargaining. That is the end of our presentation this morning.

>> Mayor Reed: Okay. I have some requests to peek. I'll take those now, Nancy Ostrowsky and La Verne Washington.

>> Good morning, Nancy Ostrowsky. From IFPTE's local 21 representing Aea, CAMP, and as part of our shrinking coalition, AMFP. I'd like to recognize the leadership and negotiators from these groups, AMFP, AEA and CAMP. Also, our members. Part of some of our members. Just some. The coalition is smaller than a week ago and that quite frankly is because you may be going to concession too far. Our last best and final offer provides you with everything you asked for. 10% total comp cut taken as base wage cut. Health care cost containment, reform and O&M supplemental disability leave. Reform and vacation sell back. Retirement form contracting out transit program sick leave payout and elimination of a pending grievance which we have said yes yes to everything. We don't have a staffing give back like local 230 that offered going from 5 to 4 on trucks, but what we

can give you is our commitment to continue to bargain in good faith and work towards substantial retirement reforms. Good faith bargaining does not mean you get ever single thing you want and we are left with nothing. It has to be a give and take. Contrary to what Councilmember Liccardo thinks, do-overs and regressive bargaining are not the way to go. Please do not forget that we offered a substantial pension reform proposal for new hires that we believe will take normal costs below the goals you set. Please analyze the proposal and see for yourself. It reduces the benefits, it increases the age to retire, lowers the cost of living increase, eliminates SRBR, goes to 36 months of final average pay, everything you ask for. It also provides an individual opt-in for current employees. We were told the city was not ready to get into the retirement at this time. We agreed. With one councilmember wanting to change the direction of bargaining, we are left wondering, what is it that you want now? And what is the motivation behind this? If you want to impose then get on with it. We ask you that you accept the last best and final offer we presented to the negotiators on March 17th. Thank you.

>> Mayor Reed: LaVerne Washington.

>> Good morning, mayor and councilmen. In January when the city came to AFSME in the guise of working together to come up with real budget solutions to a growing deficit, AFSCME city workers stepped up and agreed to meet well before our contract stated was required. We did this because approximately 70% of our members live and work in the City of San José. And care about our communities and the jobs that we do for our city. AFSCME has dedicated resources to look at that time budget and the costs associated therewith to come up with real solutions including proposals to end wasteful practices and mismanagement. However, in order to do this, information regarding the city's structure, budget and employee costs are needed. That's AFSCME formulated well thought out information requests including requests for span of control, management and rank and file employee compensation and benefits information. Little to none of this information has been provided, and our efforts have thus far been thwarted. As a 50-year resident, taxpayer and voter in the City of San José, as well as an elected leader of rank and file employees, I am appalled at the City Manager's office apparent inability or refusal to provide this public information to assist with these important negotiations and budget reforms. In addition, while AFSCME has come to the negotiations willing to work on proposals that will be both beneficial to the city and its employees and result in real budget solutions, the city has approached our negotiation with a

somewhat cavalier attitude. At the negotiations yesterday city representatives were 35 minutes late, and eventually announced that the chief negotiator would be leaving an hour earlier than scheduled to attend another negotiation. This is not the first time such events have happened in our negotiations. And if to add insult to injury, during the negotiations the city passed a package proposal without any information related to the projected cost savings for the city or the formula and the numbers used to calculate a supposed 10% total compensation reduction. I have repeatedly asked during negotiations for cost savings projections, and little to none have been forthcoming. How can AFSCME ascertain if the proposals presented are real budget solutions if we do not receive cost projection savings? How can AFSCME respond in kind if we do not have necessary information. To combat this looming budget deficit the City of San José needs real budgets solutions. AFSCME workers have stepped up to work towards having and maintaining the kind of city San José residents want. We are asking the city to do the same. We all need to work together. But passing blind proposals with little to no information is not the way. AFSCME wants to continue to negotiate in good faith. Prior to the required time scheduled for negotiations in our contract. But the city seems bent on making this a difficult proposition. I am asking that the city take these negotiations seriously and provide us with the information and proposals necessary for a successful outcome. AFSCME workers are stepping up. We ask the city to do the same. Thank you.

>> Mayor Reed: That concludes the public testimony. Alex anything to add before we go into closed session?

>> Alex Gurza: No, mayor, thank you.

>> Mayor Reed: Okay, we're going to adjourn into closed session. We'll be back here at 1:30.

>> Councilmember Liccardo: We're pleased to have with us sergeant major Daniel Guhl, who is the leader here of the Salvation Army. Salvation Army of course was founded in 1868. Following Christian principles of education, relief of poverty, charitable acts that benefit society, and they do work in 120 countries throughout the world. But we're particularly grateful for the work they do right here in San José. In two locations, at Taylor and Stockton Street and also on North 4th Street. They provide services for addiction dependency, health services, shelter and food. They house over 100 people a night, providing them three meals a day, and they do much needed work here in the city, and we are very grateful for their work. Sergeant major Daniel Guhl has been at the Salvation Army for 14 years, the director there for three years now, and in fact lives at the center as well. Thank you very much for being here.

>> Thank you for having me. Thank you, councilmembers, for having me. I appreciate it. Let's bow our heads in prayer. Dear heavenly father, we come before you today and we thank you and praise you for being in our lives. We thank you for this opportunity to serve. We ask that you would guide the councilmembers and the mayor in their decisions. They are not always easy decisions that would be responsible and educated in the matters that they deal with. We pray this in your son's name, amen.

>> Mayor Reed: Thank you, thank you for joining us. Next item is the pledge of allegiance. Please stand. [pledge of allegiance]

>> Mayor Reed: Under orders of the day, are there any changes to the printed agenda, presentation of proclamation regarding Greek Independence Day needs to be deferred to March 29th. Any other changes? I have a motion to approve the orders of the day. All in favor, opposed, none opposed, that's approved. We will be journeying this meeting in memory of Allison Slater Flores, a beloved mother and community activist whose dedicated services to the residents of East San José will never be forgotten. Councilmember Campos has some additional comments.

>> Councilmember Campos: Thank you, mayor. Just wanted to say a few words about Allison. Allison was born as Mary Alice in Pittston, Pennsylvania to Edward and Margaret Slater. Allison was the fifth of six children. At the age of two, the Slater family moved West to Los Angeles where Allison spent most of her youth. Upon graduation from Bishop Connate high school in 1952, Allison went on to join the sisters of the immaculate heart of Mary, where she led a communal life dedicated to God, social justice, and showed dedication to the many children she taught with love and passion. Her teaching assignments were all over Southern California, from cathedral chapel in Los Angeles to St. Joseph's in Carpentaria, where she also served as principal until she returned to her love of teaching children. In 1969 she moved to Menlo Park where she taught at St. Raymond's until 1972. During this time she also met Reynaldo Flores who left the priesthood to marry Allison on November 25th, 1972. They both continued their commitment to their faith and were parishioners of Our Lady of Guadalupe church and then St. John Vianne parish in 1980. After being a stay-at-home mom for her daughter Andrea, Allison went back to teaching and served as a third grade teacher at Most Holy Trinity School from 1980 to 1999. Her teaching always included music, art, nursing creative minds and loving hearts. Singing and playing her guitar in the classroom and at family gatherings always put a smile on Allison's face. Allison was a wonderful mother, grandmother, loving wife and great friend and passionate teacher who will be greatly be missed. My thoughts and prayers go out to Andrea Flores Shelton, Matt Shelton, Gabe and Matteo, as also to the rest of the Slater family. Thank you, mayor.

>> Mayor Reed: Thank you, Councilmember Campos. Our next item is the closed session report. City Attorney.

>> City Attorney Doyle: Mayor, the city council did meet in closed session this morning pursuant to notice. There is no report.

>> Mayor Reed: We'll now take up the ceremonial items. I'd like to start by inviting councilmembers constant, Liccardo, and Oliverio, and the San José sports authority to the podium. Today we are honoring the San José sports authority in recognition of their 20 year anniversary. Got quite a crowd here. I think I have all the names of the people here perhaps not but let me tell you I have some former board members that have joined us. Yoshi Shida, one of the founding members, Steve Simons and Linda LeZotte, who were former board members. Current

board members Dan Coonan, John Southwell, Kim Walesh, Pierluigi Oliverio, councilmember Pete Constant, and of course our executive directors Chris Ernstrom and the previous executive director Dean Monroe. And we'll get -
- I'm going to take a roll in a minute. I know I missed some. We'll come back for that. Sports authority was established for a reason, and that was for create San José as a premier center for sports on the West Coast. So 20 years of outstanding service representing City of San José, it's now regarded and viewed as one of the best sports authorities in the country. We've had some great corporate sponsors. We want to thank Cisco, Applied Materials, Hewlett Packard, Adobe and of course Silicon Valley Sports and Entertainment that manages the facility. We appreciate all of that work. Councilmember Constant had some additional details and a few names that I didn't have in my book.

>> Councilmember Constant: Thank you mayor. I think I've got all the others. Julie Frambach, John Southwell, Linda LeZotte, Dan Coonan, Bill Gates, Carey Benjamin, and David Edy. I don't know if I missed anybody, but I think that's pretty much everybody that we have here. As the mayor mentioned, we're celebrating the 20th anniversary of the San José sports Authority, and I've been honored to be on the board of the authority with Pierluigi Oliverio. And as the mayor said they have really worked diligently to make sure that San José is a premier center for sporting events. We have seen an incredible number of events such as the NCAA men's basketball tournament, the U.S. Olympic team trials for gymnastics, the U.S. figure skating championships, and many other regional national and international championship events. The sports authority has also dedicated themselves to youth and amateur sports. They have created several programs including the Reach youth scholarship program, co-founded the greater San José after school all stars program, they operate the first tee of San José, and the San José sports hall of fame. And that sports hall of fame not only has the hall of fame that we see the bronze pieces of the hall of famers in the arena, but it also has an event annually that benefits the Special Olympics of Northern California and Santa Clara County high school athletic departments. So on behalf of the mayor, the entire city council, we'd like to thank and recognize the sports authority board of directors for all the wonderful things that they've done over the past 20 years, and all the things we expect you to do for the next 20 years. So mayor, if you have the commendation, you can to ahead and give it to Greg. [applause]

>> My name is Greg Jamison. I'm the chairman of the sports authority board. I prepared my remarks, kept them just under an hour. I'm delighted to be here today and to acknowledge the work and contributions of the sports authority board. After 20 years of service, it's an opportunity to say thank you, not only to the council, but recognize nearly the 100 community members that have participated on the local organizing committees and thousands of volunteers. Just two decades ago San José was taking its first strides towards becoming a modern day sports town. In 1991, a stunning downtown arena was under construction. A national hockey league franchise, of which I have a special affinity for, would soon begin play, and San Joséans from all walks of life were talking about faceoffs, hat tricks and penalty boxes. It was at that time that the city approved creation of a nonprofit organization called the San José sports authority. As leaders recognized both the social and financial returns that a vibrant sports scene could provide, since then the sports authority has worked with community partners to bring hundreds of events to San José these events have delivered hundreds of millions of dollars in economic benefit and give San José a rich and diverse sports culture. We are looking forward to the next 20 years. Youth and community programs will remain an integral part of our work as well as major events like the 2012 U.S. Olympic team trials, the 2012 U.S. figure skating championships, and the 2013 NCAA men's basketball championships. As changes take place in the sports marketplace, the sports authority will always ensure that San José is ahead of the game. Thank you for this recognition and honor today. Our sports landscape has come a long way in 20 years, and we look forward to continuing to work on behalf of the citizens of San José, and we'd like to thank our partner, the City of San José, very much. Thank you, Mayor, appreciate it. [applause]

>> Mayor Reed: Our next item is the consent calendar. I have one request to speak on consent calendar, I'll take that now, David Wall.

>> David Wall: Good afternoon. This is in reference to two committee reports. I'm always taking a step back at how these reports are chronicled for the public record. Nonetheless, I wanted to make sure on the transportation and environment committee report I brought lemons into the honors for the express point of trying to convey a point, that San José should go back to its agricultural past and we should start growing food locally, which by the way mayor was environmentally sound. Of course, there was whispers in the gallery that was a reflection upon the leadership of the committee that I brought lemons, but this is not the case. The other committee report that I'd

like to make reference to is one shared by her honor chairperson Pyle, and neighborhood services and education. The use of the closed circuit television system for the city should be seriously considered to be used to as a revenue source within the confines of the agreement. With special reference to the animal control operations. People in the city really don't know what animal control does. And I believe that once they find out, they will find that it is a very well managed department and also, contribute voluntarily money to help offset the cost to operate that much needed health concerned operation. In closing, before I leave, I'd like to take the opportunity to have you all stand up and salute the San José fire department because they're the ones that save people's lives. Thank you.

>> Mayor Reed: That concludes the public testimony. [applause] Any items on the consent calendar council would like to pull for discussion? Item 2.5, the travel report. Any others? Motion is to approve the balance of the consent calendar. All in favor, opposed, none opposed, that's approved. Travel report, Councilmember Constant.

>> Councilmember Constant: Thank you, Mr. Mayor. I wanted to report on my travel to the national league of cities conference in Washington, D.C. There I participated as vice chair of the public safety and crime prevention committee. We had not only our advocacy and policy committee meeting but also our steering committee meeting which is setting the legislative agenda for national league of cities in regards to public safety and crime prevention for this calendar year. Additionally I made presentations during one of the panelist discussions on the city's efforts through the mayor's gang prevention task force. And with that, I will make a motion to approve.

>> Mayor Reed: I'll add to that report, I was in Washington, D.C., as well last week as part of a group that I think we will get further report on. I just wanted to add a couple of things from that trip. I met with some members of the administration on some specific San José projects and issues. One of those was to meet with federal emergency management agency, FEMA to talk about the Safr grant which I know is of great interest to the people in the audience, and what we could do with them to get some flexibility and hopefully make our way over to accepting the grant. They were very helpful and interested in trying to help us but they are constrained by the limits of their statutory authority so they can't do everything that we might be interested in having them do but they were positive and will do what they can to help us. I also met with the federal communications commission, Homeland

Security bureau, and the Department of Commerce, inspector-general regarding the Bay Area UASI program and the broadband effort in pursuit of council's previous direction which was to try to resolve some of the issues on that. And again, those meetings were positive but not dispositive. With that, I would see if there was anyone else wanted to add anything to the trip reports? Councilmember Kalra was on the same trip that I was on.

>> Councilmember Kalra: Yes, I'll just follow up with the comments made by the mayor. I was on the Silicon Valley leadership group, I know that the three of us were there for that trip we met with a number of different congressional leaders as well as administration leaders, again, furthering some of the goals we have here in City of San José, both in terms of our deficit issues, as well as trying to get more funding for some important infrastructure projects.

>> Councilmember Constant: Mr. Mayor, might as well just get SVLG out of the way, too, then I don't have to worry about it next week. I was there, and ditto.

>> Mayor Reed: Excellent report, Councilmember Constant. On the travel report, all in favor, opposed, none opposed, that's approved. Taking us to the first item on the rest of the agenda, which is 9.1, hearing and approval regarding the FY 2010-11 mayor's March budget message. Since it's my best message, let me just kick this off with a couple of comments. As most people are now aware of, we have a budget deficit next year that's expected to be at least \$105 million and probably significantly more than that. And of course we've asked for concessions from all of our bargaining units, we've asked for a 10% reduction in total compensation. Even if we are successful, with the 11 unions, that will total \$38 million. And that will leave us \$100 million short of being able to maintain services at their current levels. That's a big gap and there's just no way around the fact that we're going to suffer service reductions in this next fiscal year. That will mean losses of jobs and undoubtedly some layoffs. But what I am proposing that we not accept that as the end. That it should be the starting place to restore services and maintain services at the current level. And so I've proposed some fiscal reform guiding principles that will help put us on a path to restore our police force, keep our fire stations open, maintain our streets and keep our libraries and community centers open. If the council approves the message and these fiscal reform guiding principles will direct the City Manager to bring back recommendations to us on May 2nd which is when we get the rest of the

budget, recommendations to restore services back to today's levels over the next few years. To do that will require \$216 million in cost reductions, in new revenues. There's no doubt that that's a difficult task but there's also no doubt that if we do nothing we're going to continue to suffer major cuts in services in all departments in the city and that's something that we need to avoid. But we're going to lose ground next fiscal year. There's just no way around that. That much is clear. But there are things we can do, and I'm proposing that we direct the City Manager to bring those back to us. I have one change to my message in response to a question. On page 15, I have recommendations regarding parking fund review and repurpose. Knowing that we have debt service on the parking garage, that's highly unlikely to be paid for by the Redevelopment Agency, given the state's efforts to take away the redevelopment money, I would just clarify that my recommendation would mean that we have a -- any excess parking funds would really be offset parking expenses related to General Fund expenses such as debt service, not any extra money to spend on any other things in the General Fund, the parking obligations themselves I think will absorb any of the potential revenues for the next few years. So with that clarification I would ask the council to support the budget message. We do have some folks to speak and we will take that I think probably at this time we will take the rest of the testimony or we'd like to get a motion on the floor. Vice Mayor Nguyen.

>> Councilmember Nguyen: I would actually prefer we hear from the members of the public and then if I have an opportunity to make a motion after that.

>> Mayor Reed: Okay, let's do it that way. Take some additional comments from the public. Please come on down when I call your name so you're close to the microphone. Bob Hennessey, George Martinez, Anthony Balderas.

>> Good afternoon, mayor Chuck Reed, city council members, City Attorney, manager's office. My name is Bob Hennessey, I'm executive director of the San José conservation corps of. On behalf of our staff and the students, I want to thank the mayor for including the San José Conservation Corps in your March budget message. I also want to thank all the city councilmembers for their support of young men and women adrift in our city. Today we're serving more than 500 young men and women 18 and above that have dropped out of high school, have been

involved in gangs, drugs, and negative behavior. I just want to say thank you for including us in the budget message and ask for your support, both for this year and the years to come, knowing how bad and how tough this budget climate is. I brought five young men and women from the corps, at random. So it's first time in City Hall, first time they've ever come into the city council meeting. So I ask you to be nice to them.

>> Mayor Reed: Okay, we'll try to be nice, nicer to them than we are to you, Bob. George Martinez, Anthony Balderas and Alex Soveso.

>> Good afternoon. My name is Anthony Balderas. I live at 2154 Grant Place in San José. I came to the San José Conservation Corps and charter school to change my life because I really had nothing going for me. I was in and out of jail, running around with gangs and when I would try to change and go to other programs they would just turn me away because of my background. The San José Conservation Corps helped me get on the right track and get my high school diploma and paid job training. The Corps helped me get ready for the real world and I would like to thank the mayor, and the city council members for putting money into this program and giving struggled youths like myself a second chance in life. Thank you.

>> Mayor Reed: George Martinez, Alex Soveso, Christina Contreras.

>> Good afternoon. My name is George Martinez, and I attend the San José Conservation Corps at 1534 Furman Drive. I've been a corps member for a year and a half now. The reason why I joined the corps because I had nothing, because -- I wasn't doing nothing for myself. I would stay out late and get into trouble. What the corps offered me was an education that no one would. They gave me a second chance. Also the corps gave me my first job. They helped me open my eyes, and now I see a brighter future for myself. I would like to thank the mayor and city council members for supporting the Conservation Corps and continuing the program.

>> Mayor Reed: Alex Soveso, Christina Contreras, Alisa Avalos.

>> Good afternoon. My name is Alex Soveso, I live at San José, California. I wanted a second chance at life. I was always the one on the wrong path on the streets. San José Conservation Corps and charter school is a drug free zone and zero tolerance for gang activity. In the way that other programs didn't by helping me finish school, pay job training, I've been here at San José Conservation Corps and charter school for a year now. Since then I've been here, I completed school, San José Conservation Corps has given me the opportunity of going to trucking school with two other members. I would like to thank the mayor, the city council for providing funding for our programs. Thank you.

>> Mayor Reed: Christina Contreras, Melissa Avalos Pat Saucedo.

>> Mt. Herman drive I'm here today to give thanks to the mayor and the city council for funding our program at the San José Conservation Corps and charter school. Before joining the corps I was living at home with my parents and hanging around with the wrong people. I am a single mother of two daughters. I started the corps in about August 2010. I was a full time student until I became a driver for the recycling department. When I started working for the recycling department, I would go to school for one week, and work -- and work the following week. I finished my credits in about two months after starting the program. Recently, I received my high school diploma this past January. Now I am junior staff at the San José Conservation Corps and charter school. I am assistant to the recycle department. The San José Conservation Corps and charter school has helped me get an education, maintain a stable job, and kept me out of trouble so I could spend more time with my daughters. Please keep supporting the San José Conservation Corps and charter school and thank you for your time.

>> Mayor Reed: Melissa Avalos, Pat Saucedo, Steve Kline.

>> Good afternoon, my name is Melissa Avalos. My address is 2611 Kendrick Circle, San José, California 95121. I want to thank the city council for funding the San José Conservation Corps and charter school. The conservation corps has helped me earn a diploma in which I will receive in June. The program has given me an opportunity to get an education and provide for my kids. Without the corps I would be in -- it would be difficult for me to get a job because of my gang related background. Thanks to the corps I had found myself a better person

and have stayed out of gangs and trouble. I have more time for my kids, please keep supporting the corps, so others like me can have a second chance. Thank you and have a good day.

>> Mayor Reed: Pat Saucedo Steve Kline Anil Barbar.

>> Pat Saucedo: Mayor and council, Pat Saucedo on behalf of the San José Silicon Valley chamber of commerce. I would like to say that the chamber is strongly supportive of the mayor's budget message and recommend adoption. Of note, we would like to comment on the investment strategies. Very supportive. I think the commentary in the Mayor's Budget Message is right on spot and looking to create new job opportunities and revenues is exactly the way to go. Would also like to say that as far as the principles, the fiscal reform guiding principles we also strongly support those. We feel they'll be a foundation to continue negotiations with the bargaining units to bring us to a point where we have an ultimate budget that will help restore services, maintain quality of life and ultimately grow jobs in the City of San José. Thank you.

>> Mayor Reed: Steve Kline, Anil Babar, Kathleen King.

>> Good afternoon, mayor and councilmembers. The community and the neighborhoods have been stirred into action, via your message. Using the limited resources that you provide us to examine the city finances we propose an initial three point program that we urge you to incorporate in your direction, to the City Manager. Number one the City Manager should be directed to aggressively institute a program to reduce by at least 10% the nonpersonnel expenses in the budget. In this current fiscal year there are an estimated \$297 million of nonpersonnel expenditures. This reduction could be done through an incentive to those companies currently under contract with the city, to voluntarily reduce their agreement, and with the city offering extensions of those agreements for an additional reduced year. Clearly, if the residents and the workers must feel the strain, so should the vendors. We suggest a public disclosure of companies who would cooperate and those who do not. This one action could provide as much as \$29 million in savings to the city. Two, in the current fiscal year, the adopted budget item for the mayor and the city council is \$10.2 million. While each of you and your staff participated in the 10% salary reduction, your budget line item is only .3% reduction from the previous fiscal

year. We call upon you in the 2011-2012 budget to reduce your whole line item by at least 10%. This action could produce \$1 million. Finally, as you sit as if Redevelopment Agency, that agency owes the city General Fund at least \$32 million. We suggest that the redevelopment agency pay that forthwith. From your own numbers, these could amount into \$62 million of savings, towards the \$105 million. Finally, we challenge the city workers, city neighbors, city residents --

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Anil Babar, Kathleen King, David Wall.

>> Good afternoon. My name is Anil Babar. I represent the Santa Clara County association of Realtors, representing well over 3,000 Realtors in the San José Area. The association is highly supportive of the mayor's budget message and the fiscal reform guidelines. We feel that these are necessary to maintaining a very high quality of life. The reason why people want to come to San José, want to live in San José and we urge the adoption of this message. Thank you.

>> Mayor Reed: Kathleen King, David Wall, Mary Mistry.

>> Kathleen King from the Santa Clara Family health foundation. I'm here once again to thank you for keeping the healthy kids in the budget. I've talked to almost every one of you, and I know you've been supportive. Just a reminder, I had a little girl over yesterday seeing our puppy who survived leukemia on this plan. She's a San José resident, first five and San José funding helped save her life. Her older sister has a scholarship to San José university and her brother has a scholarship to Davis. Those three children would not have been in the position they're in right now if you didn't give funding beforehand. And last night I got to tell them that they're going to be able to stay in the program rather than tell them they were disenrolled. So thank you very much. It is 2800 children, we appreciate you all being supportive of keeping the funding for them. Thanks.

>> Mayor Reed: David Wall, Terry Mistry, Tim Quigley.

>> David Wall: My commentary will reference page 12 and page 13 of your budget report, Mr. Mayor. Nowhere in -- first of all, you want to take a holistic approach to this. I think you better take a realistic approach. First and foremost is, there's no admonition or declaratory statements by you or any member of council as to the incompetent decisions that have been made by you and predecessors over many years that is the actual and proximate cause of the budget deficit with specific reference to the nonfunding of liability for pension cost. And now all of a sudden you seem to got religion and are blaming it and vilifying city employees, firefighters and police officers on top of that for your ills. I think you owe the citizens basically an atonement on this pact, for passing off these liabilities, especially for you councilmembers and mayor who have been here in excess of two years. The survey results are suspicious. We see no reduction of your own personal staff, Mr. Mayor, or an admonition of needing an additional 25% reduction of council salaries. The catalyst fund that you reference is completely abused, \$500,000 squandered on Mercado Suviana alone. The libraries are very poorly managed with reference to their parcel tax consistent funding. You've refused to even acknowledge the fact that you just need to eliminate the office of economic development, cultural affairs and other assorted nonfunctioning entities like employee relations. But let's turn to page 13. Where it says potential savings, eliminate sick leave payouts. Does that include the City Manager's payout for her sick time that you gave her back in her employment contract? You Mr. Mayor, and other councilmembers who sit before me, what was it, 872.9870 hours of sick time accrued?

>> Mayor Reed: Sorry your time is up. Terry Mistry, Tim Quigley, Kevin fish.

>> I'm an engineer and I would like to bring to your notice regarding some important projects which are coming up in the San José city. One of the most importantly projects is wastewater pollution control plant. And on the wastewater pollution control plant it is listed this is a 50-year-old plant, and it is an aging plant which needs remodeling, redesign, retrofit. And the estimated cost is about \$1 billion to \$1.5 billion which is stated on the City's Website. So my request is to fulfill San José city's Green Vision, we need to develop a public-private partnership between the land developers, the solar power companies, the engineering design consultants, the conception

contractors and come up with the infrastructure development bond which may be of value, one to \$2 billion which can solve all of the San José city's budget problems. This copy I'm --

>> Mayor Reed: Give it to the clerk if you'd like to have it distributed. Tim Quigley, Kevin fish, Ben Field.

>> Mr. Mayor, Vice Mayor Nguyen, members of the council. On behalf of our board president, the whole board and echoing Bob Hennessey's comments I'd like to personally thank you for continuing to support the mission of serving our at-risk population for the Conservation Corps and in particular, Mr. Mayor, for your budget direction to assure that there is adequate local-based funding by the city which will allow us to continue to leverage six state and federal dollars for every one dollar that the city invests in the corps. Core services to the community. We in turn would like to reaffirm our commitment to work with the mayor's gang prevention task force to assure that our services, 1800 hours of service per student, is recognized and incorporated in the mayor's gang prevention task force metrics on an annual basis. Thank you very much.

>> Mayor Reed: Kevin Fish, Ben Field, Carl Lee.

>> Kevin R. Fish. First of all, this permanent pension reform idea is unfair. What happens when good times arrive? Good question. First of all, idea of 10% across the board for each department is inequitable. Nose that not all departments would suffer equally. Some departments would suffer more than others. I'm a heavy library user and 10% against the library would hurt them a lot more than, say, the City Manager's office, and according to the manager's own Website several of them make over \$200,000 or \$100,000 a year. Some names for example, Harry Mavrogenes, Edward Shikada, Ann Ortiz and Walter Rossmann among others. Seems like we should be talking about fairness when we talk about budget cuts. Thank you.

>> Mayor Reed: Ben Field, path Lee and ooh.

>> Council what are the long term consequences of the proposed approach to our current budget crisis? First is that city Services which be inadequate for the foreseeable future. The plan is for service levels to remain where

they were in January of this year with no real prospect for improvement in five years. There is no plan for long term recovery. Second, the city -- second is that the city will continue to be fiscally unstable. The City's budget shortfalls preceded the unfunded liability and they will continue after the unfunded liability is gone, unless there is a new vision. Third, is that the city which depends on a small but highly proficient core of public employees, many of whom you see here today, will continue to have poor labor relations. Councilmember Liccardo's proposed -- excuse me proposal to go back on the City's negotiated deal with the firefighters which hopefully you will reject today is the latest incident that has given rise to the lack of faith. The city needs a better vision for its future, otherwise we will not be the clean safe competitive city that we aspire to be.

>> Mayor Reed: Carl Lee followed by Pat Dando.

>> Council, my name's Carl Lee, I'm here to represent 6000 wheelchair members, the clients we serve that live and work in San José, as well as the clients we hope to encourage to live and work in San José. We urge the council to address this issue, not just looking at this year's budget deficit and the labor negotiations, but looking at this from a long term perspective of our structural issues and the ongoing viability of our city. We support and ask the council to support the Mayor's Budget Message, our concern is that within five years, all of the City's revenues will go towards benefits and retirement with nothing that will be available to support the employees and pay for the employees that will be there at that time, if any. Thank you.

>> Mayor Reed: Pat Dando.

>> Mayor, city council, good afternoon. I stand before you today to reiterate what many others have said. Basically, we are in uncharted territory. You have massive problems that deal primarily with budget, and how do you resolve that? Your budget message mayor I think is a good direction and it resolves the problem at least for the short term. The chamber of commerce supports that effort because primarily of the reforms that you're talking about but we're highly conscious of the fact that this is simply a short step to a larger step that has to be taken on long term solutions to reform. We know that 10% is not enough. We can't continue to cut salary of our staff, public safety and others, but we also can't continue to cut public services to the community. So I encourage

this council to take the bigger step, looking at the long term, more reform is needed, in order to have a budget that we don't find ourselves back here in a year from now doing the same thing over. Thank you.

>> Mayor Reed: Laurie Prudhomme.

>> Mr. Mayor, I'm here to thank you on behalf of the senior citizens of San José for keeping the senior nutrition program in the budget. We have over a thousand meals a day served to these people. 75% of them are -- this is their sole food for the day. We appreciate your consideration and we ask the support of all of you to help take care of all of our seniors. We thank you for your consideration. And don't forget us. Thank you.

>> Mayor Reed: That concludes the public testimony. I had a couple of comments to add. After hearing from folks from the audience. There were a couple of questions raised I'd like to address. In my recommendations of what we need to do for fiscal year reforms, to preserve services and restore services, I list one of the items as reducing costs for sick leave payouts, vacation buy backs and overtime pay, that's on page 3. Yes, I do intend that to apply to everyone, top to bottom. However you must know that councilmembers and the mayor don't get any sick leave, vacation or overtime pay. That's just the way it operates here. The second thing is the 10% concessions if we get \$38 million of concessions that's 10% across the board for everybody, that's not even enough to cover the increased cost in pension benefits so we have a long ways to go to close the gap. 10% is clearly not enough but the manager has as she's working up towards the preparation of the budget she's directed the departments to bring back proposals to make reductions in the departments. The target for public safety, basically Police and Fire is 10%. The target for the other departments is 30%. 10% across the board won't do it. It's not enough. And that's why she's asked the other departments to cut and look much deeper. But it is quite clear that 10% is only part of our problem. It is an important part of the solution, and we need to get the 10% reduction in total compensation as a partial solution to next year's problems. With that I will turn it back to the council for discussion. Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you, Mayor Reed. Something historic happened this year after the mayor released his budget message. To date my office has received less than ten phone calls from constituents and

residents from throughout the City of San José. Compare that with the previous year, we were bombarded with hundreds of phone calls from residents stating, what was wrong with the city. And obviously, this year I'm sure all my colleagues received form letters as well as e-mails from constituents, but if you compare that to last year, it's definitely a lot less. And I share this information, because I, like many residents, am very grateful for the mayor's budget message and his fiscal reform guiding principles. These guiding principles will direct the City Manager to develop a clear and more financial concise plan to make our city whole again and even in despairing time when the current deficit over city's budget may not allow for the continuing of social service and health related programs, Mayor Reed understands the plight of the underserved community, and therefore he made sure that important programs such as the children's health initiative, Healthy Neighborhood Venture Fund, San José Conservation Corps, and the senior nutrition programs are included in his budget message. To me these are critical services that we need to maintain because the funding that the city provides for this programs actually leverage more in return for our investment. For example, for every dollar that we allocate for the nonprofits that receive funding under the Healthy Neighborhood Venture Fund, we actually leverage \$67 in service. This is a great way to invest in our community. The Mayor's Budget Message also is on target with his direction in asking staff to focus their efforts on reducing cost on the fees and taxes side. We need to make sure we help the business community thrive. Whether it's a big business or small business we need to continue to streamline our development process to ensure that we are moving at the speed of business and help the companies to get out there and generate revenue and be successful. The Mayor's Budget Message is a very defined and comprehensive financial blueprint that will put the city back on track in the next four years. I look forward to my colleagues support of his message and with that I'd like to make a motion to approve the budget message with a clarification about the park fund review and repurpose.

>> Mayor Reed: Councilmember Constant got the second. Anything else Vice Mayor?

>> Councilmember Nguyen: That's all thank you.

>> Mayor Reed: On the motion Councilmember Constant.

>> Councilmember Constant: Thank you, mayor first of all my personal thanks for your budget message. I think that we are definitely moving things in the right direction and you bring up some very important things I think need to be on the forefront of the discussion. And that is, how do we go forward from here? How do we go forward not only fiscally to continue to figure out ways to balance the budget and deal with the deficits that you see clearly described on page 3 of your memo, but also, how we're going to strive to maintain services. Because the biggest complaints that I get in my district every day are about the ever-decreasing level of services in our district and throughout the city. And as I mentioned, that chart on page 3 that shows those deficits I want to just very consciously remind people of a few things. Last year, and the previous year, when we looked at similar charts we showed a problem that was a fraction of the problem we face today. And has been pointed out by many people, I still believe that the deficit number that we see now is a fraction of what we will see in just a few short months. We have a very significant problem. I want to point out that again, in the footnote below that budget, there are some big issues that are in very small print. And one of those big issues is our unmet deferred infrastructure and maintenance needs, which have grown every year that I've been here and continue to grow at what is unfortunately a rapid pace that far exceeds the pace of inflation or the pace of our increases to revenue. This is an issue that is going to critically affect our city in the future when we start to see the foundation of our city crumble beneath our feet and beneath our buildings. I think as we go forward we obviously have this year's problem that we're dealing with and we have the guiding principles to help guide us through this year, and back to providing services to our residents. But I can't underscore enough the same issue I've been underscoring for five years now and that is, that unmet deferred infrastructure need that we have throughout our city. We are going to go another year, where we're funding less than what just this year's maintenance requires, let alone all the unmet needs behind us. And I just want to keep reminding us of that because every year, it is going to get considerably bigger. And I really fear that we're going to approach the time when we can no longer repair our infrastructure, but we're faced with replacing large quantities of it which will cost us just immensely. I truly worry about where we are in our negotiations with our unions. I'm not going to talk to Sam's memo on local 230 yet, we'll save that for the next issue. But I do worry that as we move forward in our contract negotiations, and we sign two-year agreements, that we will have very little, if no, options left for us in next fiscal year, 2012-2013, where we may have no option other than slashing services. I think that we have to keep in mind that we have those libraries, someone mentioned the Bascom library earlier. We have these facilities, not only our libraries, but our police

substation, that are sitting vacant and unable to open and quite frankly, I don't anticipate seeing them open any time soon because we simply just can't keep adding to these big deficit numbers that we have in front of us. And I know it's painful for the community to drive by a library that is ready to be opened and it's not. My district has one library that's open right anonymous, one that's torn up getting re-- now, one that's torn up getting rebuilt, and stale vacant for a long time. And another district 1 perhaps it will be District 1 at the end of redistricting but we don't know that yet. But we have now one library serving over 100,000 people that's not even open many nights and days of the week. So our challenges remain immense in front of us. I'm very thankful that we found a way to save 60% of the expense of delivering a senior nutrition program to our residents. This was a savings of over \$700,000 on an ongoing basis for a service that is relied on critically by a large number of seniors in our community. I hope that as we go forward between now and the final -- the creation of the final budget when we're looking at programs that our staff has had an opportunity to look at every single program that we deliver, in a critical way, much like the senior nutrition program was looked at. Now the senior nutrition program may not look like it looks this year but it will still be in the city, it will still be providing services to 1,000 people in our city and those people know that they are going to make sacrifices. It is not going to be exactly what they want. But the vast majority of the people see that the sacrifices are well worth providing the services to the residents that we have in the city. As we get to that final creation of the budget, I think that we are going to be faced with a whole 'nother set of decisions to face in just a couple of short months as we wrangle to figure out how to bridge that final hundred or more million dollar gap that we have after we receive our concessions from our employees. And I'm going to repeat time and time again every year I have, since I've been here, we must look to those issues that are core to our essential function of local government, and we must fund those first those are the issue that directly affect the health, safety, and welfare of our residents. They are, as Pierluigi likes to point out regularly, those that are contained within our charter and are our direct charge of the City of San José. And that we're going to have to come to the realization that there are very important, desired, and needed programs in our city that simply do not fall directly within our basic mission of the City of San José. And as we struggle to eliminate that \$100 million plus deficit that remain, we must keep in mind that we must do what we're supposed to do first and fund those so we protect those core, essential services that the City of San José should be providing. We spoke briefly about the fees and the fees as they relate to businesses and the fees that keep people from investing in the City of San José or at least make them pause and look at other cities around us to when they make their business

decisions. That cost us immensely when a business makes that decision, like a friend of mine who's a doctor who decided to locate their business 50 feet past our border in the city of Campbell because it made better business sense for them to do that. I think we also have to be conscious of the fees that we charge our residents to do the things that they need to do to remain in our city. Two weeks ago, my water heater went out in my house, and the total fees I paid to the city exceeded the cost of the water heater that was put in. Over \$305 to get a water heater permit with two inspections to get it signed off. And those are things that everybody in our community faces, every day, when they're trying to do things by the rules. And I'll tell you, I called six contractors before I got one that said they would do it with a permit from the City of San José. Every other one said they would do it, these were all licensed contractors, that they would do it, but only if we didn't get a permit because they want -- didn't want to come down to City Hall and deal with the delays and the expenses of getting a permit. So we obviously went and got the permit ourselves so that we could have it done appropriately. But there are people making decisions every day to make a decision that's in their financial best interest, and we are not having them follow the rules and regulations, and we don't know if we're getting safe installations of water heaters and other things in their home that they're fixing, repairing or replacing. So I just -- I'm very optimistic in the direction we're going with this budget message and I support it wholeheartedly. But I remained very concerned about how we're going to get from now to July 1st of this year, July 1st of the next year, and July 1st several years in the future. Thank you.

>> Mayor Reed: Councilmember Oliverio. [applause]

>> Councilmember Oliverio: Thank you, mayor for the budget message. I think it's in all candidness about the financial severity we're in. Councilmember Constant thanks for the words on stressing core services and the things that are important to do. Question for Jennifer Maguire our budget director. Someone from the audience had mentioned a suggestion on three different ways we can save money and was talking about the nonpersonnel portion of the budget. They've quoted a number of \$297 million, I think it's closer in the \$80 million range and I think a large portion of that is fixed cost, electricity to turn on street lights, gas to put in our police cars and fire engines, that's about right?

>> Jennifer Maguire: Yes you're correct. It's about \$83 million is our General Fund nonpersonal equipment costs and about 41% relates to gas, electricity or vehicles maintenance and operations, insurances, vehicle replacement.

>> Councilmember Oliverio: When it came to last year I know we went to renegotiate contracts, because it wasn't the first time we thought about trying to get better from our vendors. And I believe between savings and cost avoidance, we were somewhere in the \$2.5 million range.

>> Jennifer Maguire: That's correct. And that number, I've not kept track of that number. But I can tell you in putting together the base budget for this next fiscal year, for '11-12, we have seen even more renegotiation of contracts, that is the mantra that the departments are following, and so they've taken that city council direction very seriously.

>> Councilmember Oliverio: And when it came to the CRAF loan from the RDA, I believe the source of that was partially affordable housing funds as well as borrowing reserves from other city sources, not necessarily the General Fund but for example the ice center by spartan stadium, we borrowed money from that. Those have to be repaid to those funds, they can't take it back and do something else?

>> Jennifer Maguire: That's correct, they are restricted into those funds, that's not General Fund use.

>> Councilmember Oliverio: Thank you. And then mayor, on the council budgets, I believe in your direction in your budget message it actually is to reduce the total line item in all the council offices, the office budget, Mr. Mayor?

>> Mayor Reed: I'm proposing that the council offices take the same kind of cut, more that public safety but less than the other departments.

>> Councilmember Oliverio: You know, I think that's fair, and as for someone who doesn't spend my whole office budget, and I remember councilmember Kalra last year, as well, we took the rebudgets and put it in. So I think that's fair, and people need to see that on the office budgets. Thank you.

>> Mayor Reed: One more thing to clarify. I would love to be able to move some money from the Redevelopment Agency to the City's General Fund. But if you watch the news we're trying to keep the state from taking our money and there's really nothing that's going to be left that we could move over to the General Fund, unfortunately. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just wanted to thank you for the message and your team for the hard work. I appreciate the modification relating to the parking issues. I don't think the change will have any impact on the General Fund of course, but it clearly demonstrates to downtown businesses that are dealing with the impacts of whatever we charge for doubt parking that that money's going to be used to finance the considerable costing that we have maintaining our existing parking inventory and so I appreciate that. You know, I really want to commend the mayor for his leadership, in what has probably been I'm guessing the most difficult fiscal time the city's ever encountered. It's really been his firm approach that has helped us weather the crisis so far. We certainly have quite a ways to go. But we know that the alternative is awfully bleak. Costa Mesa, I understand yesterday just announced it's laying off half of its employees, one-half. That is a truly Draconian result and obviously one that we all want to avoid. Where I felt was important was the Mayor's emphasis that even with our following our direction from November of 2010 and obtaining \$38 million of concessions, which obviously are very significant, including the concessions that we're considering today, we still have about a \$100 million gap to close, counting the \$22 million from last year. I guess I had a couple of questions for Jennifer Maguire about what that means in terms of our staffing and certainly what that means in terms of public safety. Jennifer, I know we talked about this yesterday and you were still work out the numbers and I just wanted to get a fairly clear sense. Assuming we get all the concessions that were requested November 2010 to \$38 million my recollection from our conversation was, we would still be reducing the size of our police force by 230 officers is that right?

>> Jennifer Maguire: Yes, Jennifer Maguire budget director. That is correct Councilmember Liccardo. Right now we are looking at about 230 positions, sworn positions in the police department but we still have a likely larger gap to close so that number could only grow.

>> Councilmember Liccardo: Right.

>> Jennifer Maguire: In the firearm we're looking at approximately in the range of 90 positions right now.

>> Councilmember Liccardo: So 90 firefighters and 230 police officers.

>> Jennifer Maguire: That's right, all ranks.

>> Councilmember Liccardo: And that's assuming all goes well with other bargaining units. You mentioned the number may grow. I know that we currently have the \$105 million deficit, that's what's published or what you publicly discussed. Can you give us a sense about how that might grow or what we might expect, given what we know from redevelopment and other sources?

>> Jennifer Maguire: I think it would be safe to estimate probably in the range of another \$15 million to \$20 million increase on top of the \$105 million deficit that we're looking at right now.

>> Councilmember Liccardo: You're actually expecting that actually --

>> Jennifer Maguire: 120 to \$125 million.

>> Councilmember Liccardo: Okay, thank you. And obviously I know that it's changing on a nearly weekly basis as we learn more, unfortunately. And finally I know there was a discussion about street lights. Public discussion to some extent about what we may do along those lines. As I recall, the proposal was around turning off all street lights in neighborhoods.

>> Jennifer Maguire: Uh-huh.

>> Councilmember Liccardo: In neighborhood streets between 11:00 p.m. to 5:30 p.m. as win of the budget balancing moves is that right?

>> Jennifer Maguire: Consider what we're calling a half night proposal. We're trying to avoid that proposal but that is a proposal that the on the table to look at.

>> Councilmember Liccardo: Thank you, Jennifer, appreciate it.

>> Jennifer Maguire: You're welcome.

>> Councilmember Liccardo: Obviously these are all very Draconian steps as well, steps that we're forced to take and really calls on us to really think more clearly on how we need to take a comprehensive strategy to address the magnitude of this deficit today and in the coming weeks. Seems to me that the only way for us to be able to make any progress in terms of saving the loss of 230 police officers and 90 firefighters, all the other employees that are likely to be laid off under the current course and again, that's assuming we get all the concessions we ask for November of 2010, the only thing we can do to avoid that it seems to me this year is to get negotiations underway on retirement cost and be able to make real headway between now and June 30th on those retirement costs. That is our only clear path forward and it is my hope that just as the firefighters offered several weeks ago to put retirement on the table that we will be engaging with all of our bargaining units to engage around retirement cost. That has been the driver of all these -- the overwhelming driver of our deficits to date. And one we need to address if we're going to be able to keep everybody on board.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. And thank you as well, to you and your staff for your time and work on this budget message. I do have a few questions. One of them, on the Redevelopment Agency section on page 19, item number 5. The direction for the City Manager to work with the mayor to develop a set of programs and staffing plans. If I may ask, I'm not sure who to pose this to, yourself or the City Manager. Why would we not include the director of the Redevelopment Agency in this effort, assuming of course, you know, worst case scenario come July 1st the agency is no longer we still have a few months to use his valuable insight in that discussion.

>> Mayor Reed: I expect the director will be very much involved in that. But the direction is to the City Manager because come July 1st, if we don't have an agency, it's the City Manager and the city general fund that will be running those programs to the extent that they're necessary.

>> Councilmember Rocha: Okay, but in the meantime, between now and whenever, and if and when the agency sunsets, should the director be at the table to discuss what those programs and staffing plans will look like?

>> Mayor Reed: Yes. And the director has been, because that is part of the conversation, what are the programs, who are the people, what are the issues, if there's something to have to continue on, whether or not there is a Redevelopment Agency. So the agency staff and the city staff have been working on that together.

>> Councilmember Rocha: Okay, thank you. On page 14, the HNVF direction, so trying to read into this and forgive me this is my first budget message, especially on this item, I know there was discussion to fold those funds into the general fund. What is the process -- I guess maybe this is true for the City Manager maybe in their mind in terms of their -- I understand that it's about 4.2 million remaining outside of what's already been diverted to the General Fund, and is that going to be used to fund the programs that you listed in there?

>> Mayor Reed: I'll have to defer to the staff on exactly how much money is involved. There's a little over \$2 million that I'm recommending that we spend on maintaining the children's health initiative so that's 2 million. And I think there's about \$2 million that's not allocated for other things that I'm saying should be allocated for other

Healthy Neighborhood Venture Fund programming but expanding that to include support for the B.E.S.T. programs, senior nutrition program as well as the competitive grants. But Jennifer can give you the exact.

>> Councilmember Rocha: Those remaining \$2 million are somehow going to fit what the Mayor just mentioned in there?

>> Jennifer Maguire: The number we have is about \$3.5 million after you set aside the children's health initiative. You have about \$3.5 million of HNMF that was used for administration and the nonprofit this last year. So we will look at that pot of money and look at the San José B.E.S.T. program, senior nutrition and the healthy neighborhood and we'll recommend the best use of that money based on those three programs, based on the mayor's message if the council approves that direction.

>> Councilmember Rocha: And the competitive process will continue?

>> Jennifer Maguire: We'll have to look at that. I assume there will be some kind of competitive process for some portion of -- we have to look at the complement of it. If one portion of the pot is too small, it may not make administrative sense to have a competitive pot, if it's too small of an amount of money for a competitive program. But we'll have to look at the mix and the highest, best use of those funds and make those recommendations to council for debate in May.

>> Councilmember Rocha: Okay, thank you. And then on page 15, the crossing guard direction, language is pretty clear in here and I just want to in public reiterate my support for this program and thank the mayor for your recognition of this program and the ones mentioned before, very critical to our youth and most vulnerable population so thank you. I had a question on page 9, item 3 E. The statement to initiate discussion with employee groups regarding any proposals that will be included in the proposed budget that may be subject to meet-and-confer. May I ask the City Manager, what do you see part of that discussion, would the items in this budget message or other guiding principles that have been adopted by other council action as well?

>> Ed Shikada: Councilmember Rocha, members of the council, Ed Shikada, assistant City Manager. The budget process that we've laid out pretty consistently identifies as early as possible any of the budget proposals that may be subject to meet-and-confer. So at the earliest opportunity we will consult with the affected bargaining units. So it would involve both the general direction as well as we develop our specific recommendations, those specific recommendations will be discussed with bargaining units.

>> Councilmember Rocha: So the items within this message, previously adopted principles or positions from the council and also one from your office that you may develop?

>> Mayor Reed: What I'm anticipating is this direction is that our bargaining units don't have to wait until May 2nd to hear about a proposal the manager's going to make in the budget or the us to consider, that they don't wait until May 2nd, that they hear about that as soon as can be done that we initiate the process today, actually, some of it's already been initiated on some of the actions I think.

>> Councilmember Rocha: Okay, let me see here. Another reading through this document I noticed a good amount of the document touched on contract bargaining negotiation points and example would be pages 2 and 3 the fiscal reform guiding principles that have spoken about already to today. Will the May 2nd proposed operating budget from the City Manager include these assumptions or future contract agreements that have not been negotiate or approved as much yet and that's a little bit to the same line as the previous question I just asked you, to what extent would that be, concessions, no concessions, second tier, first tier retirement, or all the above, I guess, or kind of a similar question?

>> Mayor Reed: You will have the specific proposals that the Manager will make on May 2nd as part of the proposed budget. So those will be subject to -- some of those are subject to meet-and-confer. And the direction is to do that sooner rather than later. Many of the recommendations on the fiscal reform guiding principles are also subject to meet-and-confer so to the extent it's going to be something we're going to vote on for next year's budget we'll meet and confer on those earlier. But there may be other items that are not subject to meet-and-

confer that are not part of the fiscal '11-12 budget that are for a future budget, so we wouldn't necessarily start meeting and conferring on those until we're -- the council's had a chance to look at the recommendations.

>> Councilmember Rocha: Okay.

>> Mayor Reed: But if they're going to affect July 1st we obviously can't wait until May 2nd to start that process.

>> Councilmember Rocha: Okay, thank you. So on some of these items that speak to first tier vested retirement benefits can I ask our City Attorney if there are any issues with adopting contract or negotiation points in the message? Given that they may not be legally negotiable?

>> City Attorney Doyle: Councilmember Rocha, these are if adopted these are principles. Obviously, they must follow the law. And so to the extent there are vested rights issues or limitations on what -- what you can do, the principles would have to fit within whatever the law is. But at the end of the day, the law will sort of dictate where you can go and what you can do. These are just sort of general principles set forth and goals.

>> Mayor Reed: And Councilmember Rocha, before they get into a contract negotiation level the council's going to have to approve that, like we do all of our contract negotiations. Here's the framework, here's the direction to the negotiators, so go meet and confer.

>> Councilmember Rocha: So legally defensible, that term, you don't see the necessity for it in this context where we just -- the Mayor just said, we'd discuss that later or include that later?

>> City Attorney Doyle: I read this entire budget message as subject to the law.

>> Councilmember Rocha: Okay.

>> City Attorney Doyle: So you know, that's -- a lawsuit proceeds every year.

>> Councilmember Rocha: That's good. Thank you.

>> Mayor Reed: Spoken like a good lawyer.

>> Councilmember Rocha: So I'm going to speak to another issue that I've talked about a number of times, and that's my concern or interest, similar to my colleague's point, a discussion about defining a retirement system whether it's first or second tier and having that work done and my interest is having our retirement services do that work not the City Manager's office not because I don't trust or value my City Manager's office, but just a more independent staff working on the design of a system that we think serves the interest of the taxpayers outside of negotiation process. So we often ask of our professional staff their input and opinion on many different items across the board, from land use to a whole host of other items, and I would really like to see what our retirement staff designed for us using the guiding principles that have already been adopted, such as the January 25th action, out of the -- again, the context of any negotiation or political environment. So I'll be supporting the Mayor's Budget Message, and I might ask for one small tweak, or further direction, I guess so to speak, and that is, direct staff to set aside one of the council's budget study sessions in May to discussion the pension reform issue. It would be an opportunity for the council to discuss the first and second tier designs with the benefit of the full legal analysis that we're expecting.

>> Mayor Reed: I have no problem with doing that. We have the budget schedule all laid out but we can certainly find some time to do that. It's kind of important as everybody has made note and spending some time on it is certainly appropriate during May.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor, and I want to join along with all my colleagues who have already thanked you for your leadership on this, and not just this year, but since I've been on the council, your strong leadership in giving direction to not only solve the immediate problem but to get us past this in a long term fashion so that we can move forward and really get back to providing services and not dealing with this same issue over and over again. I guess I just want to get some clarification on the size of this -- the size of the deficit for this year again. So I know it's been repeated or asked but I want to kind of go through it again. So it's \$105 million for 11-12. 15 million for RDA, and then 23, another \$23 million for last year's additions. And so that totals \$143 million this year. Am I right about that?

>> Mayor Reed: Let me just explain the numbers that I was using because we're in the same ballpark but not exactly the same numbers. I'm assuming that we're going to lose \$10 million of redevelopment funding that last year or this year came to the General Fund. So that's the \$10 million.

>> Councilmember Herrera: The 9.4 or 9.6 rounding it up yes.

>> Mayor Reed: So then we have the 23 million of services that are only funded through end of the year. That gets you plus the 105 million projection that gets to you \$138 million. That's why I said if you get \$38 million in concessions you still have a 100 million gap to maintain things at a certain level. Jennifer says things could get worse and how much worse things could get on top of that is a very interesting question. We do know that the state is attempting to put redevelopment out of business and that could have a larger impact on us than the 10 million so that's one of the known-unknowns as they're sometimes described. But how bad it is, and what impact the state has, I think is an interesting but unknown questions and Jennifer has some other things that she's worried about as well. I don't think we're double counting when she said it's another 15 million on top of the numbers. If that doesn't answer your question I'll let Jennifer clarify what she was talking about.

>> Councilmember Herrera: The numbers have a way of continuing to go up, so they usually don't go down. I've noticed that around here, they keep going up.

>> Jennifer Maguire: Jennifer Maguire, Budget Director. You're absolutely correct, mayor. There is a lot of unknowns. Probably in all my history of working on budgets, this is the most unknown budget as far as what we know. We know at least we've got the 105 plus the 23. It's the extent of the RDA impact that's currently not clear. As a floor, it's at least the \$10 million as the mayor described. And I was talking about the potential that it could be higher than that. So I don't think we're double-counting.

>> Councilmember Herrera: Okay, because I think that's important to keep in mind. It's not 105 million, it's much greater than that, we know that right now. I think that's one of the frustrations being a councilmember, in listening to this information, is that it's kind of a moving target. It's very frustrating. When we first started out with this, and we talked about the 10%, and we're asking for concessions, and it goes back to last year. We've kept up that message, but the number keeps getting bigger and bigger, and so it's frustrating. I'm just sharing with everybody out here how frustrating it is from this side of the dais and trying to get your arms around the whole problem, and really trying to see through to a final -- you know, a solution that's really going to get it solved. And I want to support the comments that have been made about our need to get to the retirement and benefits reform because that's really the big issue that we need to you know we need to work through. And I want to say that I've been heartened by our employee bargaining groups' recognition of that and bringing that forward in their discussions and in their proposals. I think that's a real step forward and if there's any positive light in this and do I try to look for the positive things, I'm heartened that our bargaining groups have come forward with the 10%, with a lot of the things that we've asked for and that they also recognize that there is this other big giant problem that we need to tackle. And I do think that that recognition, that willingness to tackle that is very, very important. It is a good signal, I regard that as something very positive, because, you know, we're not in denial. I think everyone realizes that there's a lot of issues to be resolved. So I just wanted to make that point. I want to thank the mayor again for including the senior nutrition program. As has already been said. But I think that should be said again. I think it's very, very important that we make sure that we're taking care of our seniors and there are some that are very dependent on those meals. And I'm really glad that that's in there, as well as the children's health initiative. Because we almost have complete health care for the children in this county. And San José and Santa Clara County has been a leader on that. And I think that's something we should be very proud of, that it's a foundational kind of program that we've established here so I'm really glad to see that that's in there. So we have

a lot ahead of us to tackle, and I guess the thing I would like to see and I appreciate my council colleague for asking about a budget session devoted to looking at retirement reform. But at least maybe we can have some more discussion of this when we have the public session, before our closed session, that we can start to see some of the options. Because I think the fear of the unknown of what might lay out there must be weighing on employees as some of that weighs on us in terms of what is this whole thing going to look like and I think that there's a lot of options that we can start looking towards assuming that our outside counsel comes back and says they're doable I think there's options that are not as onerous as we might think and that we can get to some significant savings in looking at some of these reforms. So I'm trying to say that I -- there is some optimism here. Even though we have a very tough road ahead of us. We're not faced with four melting down nuclear power plants and a 9.0 earthquake yet. So I think if we put it in perspective, I think there's some optimism here that we can work these things through. So I'll be supporting the motion.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I too am very happy about your inclusions. I would like to thank you very much for your support of the same items, the Healthy Neighborhood Venture Fund, the children's health initiative, Conservation Corps, crossing guards, senior nutrition. And the thing that I've noticed that is particularly important is that these are good models for bringing more bang for the buck. In other words, I'll just take one, the Conservation Corps. This would be a \$216 million cost reduction, as I understand it, and it would also -- it's a win win all the way around. Because it takes students that are not having a wonderful successful story at school, turning them into model citizens actually, and congratulations to all of you for that. It takes away the gang activities, and it -- I don't know if any of you have ever gone to visit the school. For the Conservation Corps. But it is absolutely so invigorating. And also to visit their graduations. It really -- I always puddle up, because I'm just so happy about the turn around, and the increased business and/or activities for San José. So just the fact that people are believing in themselves and doing constructive things is a very, very good thing. It also increases the educational level of San José. It's a very, very wise investment. I would also like to say that I hope somewhere along the line, we can look at more activities, and I think we have to get the budget approved first, but after that. Whatever we can do to expand the convention center activities, I would be thrilled with. I have noticed many

more inclusions of activities than were here maybe three or four months ago. But in addition to that, the hotel occupancy is up in some instances, but it needs help. It's up and down. We need to do whatever we can. At least keep an eye on those figures. I don't know why we can't work with the corporations in San José especially regarding naming rights for our buildings and can we appeal to the governor and let them know at all times what's happening to us as a result of -- let's talk about redevelopment for one of them there's only 120 members of the legislature and it's not that difficult to let them know what's happening here. And a reminder of, every time a police officer -- and I'm not sure what the figure is for firefighters -- but every time a police officer is laid off, or has to go away, they take \$140,000 in training with them. So I think that's something that we need to take a good look at. I hope somewhere in the future, perhaps next year, certainly not this year, when people begin to see the results of the cuts that have to take place, there may be a possibility with polling to find that maybe they would accept a quarter-cent sales tax because we just can't keep -- we can't keep cutting anymore. After a while there's nothing more to cut. I applaud you for what you had to put together. I'm glad I didn't have that job. I'm glad it was yours, not mine. Thank you very much for all your hard work, appreciate it.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor, thank you and your staff for the work putting this together. I have some comments but I have a question first with regards to revenue generation. I know that it's mentioned as part of the strategy in order to achieve the targeted goal of the cost reductions and/or new revenue. There's some reference to economic development in terms of lowering some of the costs to encourage business growth, and I was curious if there was any thought of a more specific direction in terms of new revenues or what you had in mind in terms of what potential new revenues may be available going forward. So that we are not simply just looking at cuts, which we certainly have to do, as well.

>> Mayor Reed: The cost savings in the planning and building process that I'm talking about I think are essential to achieving the 3% increase in revenues that our staff is projecting. If you look at the projected gaps, those are after we get a 3% increase in revenues. So we need to grown the revenues from our existing businesses and do the good processing and all the work that helps generate those sales taxes, property tax revenues. That clearly

will not be enough because 3% looks pretty optimistic on some days. But we have polled several times on a variety of tax measures, and I'd say right now none of them could pass. But I do believe that after we have implemented some fiscal reforms and demonstrated that we have control over pension costs that are skyrocketing, is that the voters would be more favorable to some sort of a tax measure. The one that seems to have had the most support on previous pollings is a quarter-cent sales tax. But a quarter-cent sales tax only generates \$30 million. That is not a \$200 million solution, and we are looking at a \$200 million problem. But what I anticipate we'll do is to continue to include in our polling efforts a variety of ideas that people have on tax measures looking at what has worked in other cities and what might work here. But I firmly believe that you have to do the fiscal reforms first because if you go out and try to argue that we should have a tax increase today it's just going to be why should we give you money in order to pay for higher pensions? You know that's tough and it's just not going to pass. But I think being optimistic that we can get control over these costs. I think there will be a time when we can ask the voters for additional money.

>> Councilmember Kalra: Okay, thank you for that elaboration. In regards to the -- some of the specific items in the message, I certainly join with my colleagues in the -- in some of the additions in there including the San José Conservation Corps, and I think it's wise to especially given the young men and women that we saw some of them today speak very well as to what the corps has done for them and some that is hard to measure just in terms of dollars and cents. I think we do get a really good bang for the buck with the San José Conservation Corps, additionally the children's health initiative as was referred by Vice Mayor Nguyen, the leverage and what we get from that is enormous. And ultimately, these are children in our community, and I think it's the right thing to do. Senior nutrition is certainly something I'm very concerned about. I have a very active senior nutrition program in my district, and I know many others do as well. I'm glad to see the further commitment from you Mr. Mayor on the senior nutrition program. In regards to the SAFR grant, I really -- I appreciate it being in there and I want to stress, at least from my perspective how important it is to really be aggressive. My understanding is that FEMA has already been showing some flexibility towards us in regards to this in a couple of different ways, including the fact that they have moved -- they already agreed to move the period of performance. So basically, the start of the grant-date to the next fiscal year to mid July and that certainly helps us as we figure out how to grapple with our current deficit and also gives us enough time to evaluate if we really have the capacity to accept the grant. But I

think it shows ultimately the willingness and the desire for FEMA they want us to have this grant and they are doing a lot to make sure that we can accept it. So it's only going to help put more firefighters out on the streets and more engines and trucks in the street to help provide safety to our neighborhoods. In regards to vendor cost reductions, it's been mentioned, I know there were efforts last year, I just ask that those continue. I think there's great opportunity there, especially if -- with those contracts that we do have the capacity to extend it provides benefit to the private sector party as well. I do have one concern in the guiding principles. Again, I think that for the most part most of the guiding principles are issues that we've all discussed and agreed with for the most part. For many, many weeks. And that includes I think the, Mr. Mayor you have made a clear that you have a clear understanding that even if we got 10% from all our bargaining units, that there is still more work to be done, that's been stated for many weeks, it's not new information. And it is refreshing to see, particularly from the firefighters putting forward a willingness to discuss retirement form and pension reform and other bargaining units have done so as well. One of the items which is under the guiding principles which is letter I the retirement age should be raised. I have some concerns. This allows us time for discussion. It doesn't say it should be raised but gives us time to discuss it. One of the concerns I have is the unintended cost of doing so. The U.S. government accounting study in 2010 indicated that for all workers, not just public safety, raising retirement age would likely increase the number of workers applying for disability insurance benefits and the cost of adjudicating those claims are much higher than the cost of adjudicating retirement claims. Specific to California public safety workers, a Rand study indicated that, and this is no surprise I think to any of us, that public safety employees are more than three times likely to experience permanent disability than other public workers in nonsafety positions. And I think the important thing for us to consider is not just whether it's the timing it's the age at which those injuries are likely to occur. And certainly, again not a surprise, likelihood of public safety employees suffering a permanent partial disability increases with age. Quoting from the study it indicates that both firefighters and police officers become more susceptible to work-related disability as they age, in the sense that a workplace injury is more likely to result in a permanent disability at older ages. This is especially true for firefighters. So a very quick stat, under 40 that disability rate for police, 39.5%, for fire 30.9%. As you jump between 50 and 60, which is the age we're contemplating, the rates from over 50, the police go up to 60.3% and fire is over 41%. And then of course if you go to 60 and older you can anticipate it going even higher than that. I just raise that because I think as we go forward as I said I will be voting in favor of this budget message but in regards to that item in particular we should

be very cautious and should analyze the cost that we would incur if we seriously consider raising retirement age for police officers and firefighters above the age 50, the unintended consequence of doing so the cost that will be incurred not just from disability claims but the cost of being able to provide a safe environment for our neighborhoods. Thank you. [applause]

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor for your leadership and also, the proposal keeping the library hours at the current level, the senior nutrition program, HNVF, and also, the Conservation Corps The crossing guard and the crime prevention programs are all very close to my heart. On the crossing guard, you mentioned about some actively requires some funding for the pedestrian activated crosswalk. I know it's been a long time since I've been trying to get a crosswalk in my district so I don't know if there's any funding for that and I really encourage the staff to aggressively go after some grant opportunity to -- for the pedestrian-activated cross guard. And on crime prevention, I just want to kind of put in my plug for the safe school campus program. I hope when we consider consolidation of all different gang prevention program, keep the safe school campus program. There's a question, on page 2, mayor, I don't know if that's a typo or not. It's stated I think on page 2, number 2, you mention about direction for the City Manager to achieve \$216 million per year of cost reduction. \$216 million per year?

>> Mayor Reed: Unfortunately that is not a typo, \$216 million is how much we need to save in order to maintain services at the current level over the next five years.

>> Councilmember Chu: Okay. And I appreciate Councilmember Kalra of bringing up the revenue generation measures. I know we will not be able to balance the budget with employee concession alone. So was wondering, would you be willing to include somewhere in this budget message about more specific revenue generation plan?

>> Mayor Reed: I don't think there is anything more specific that we can do than to continue to poll on these as time goes on to see which ones have a chance of getting on the ballot, either in June of 12 or November of 12, more likely November of 12. But that's already part of what we're doing.

>> Councilmember Chu: Okay, we don't need to include it in this budget message?

>> Mayor Reed: No, that's already part of the work that staff has done.

>> Councilmember Chu: Okay. Another item, I think I brought it up many, many times is to explore a sliding-scale approach to the-or a tiered approach to the salary reduction. Because I don't want to put those lower salaried workers into the poverty level. Is there something that we can give the City Manager's direction to continue exploring when we're talking about concession from the employee, a sliding scale or a tier system?

>> Mayor Reed: That's already part of the existing council direction. The council is open to that but it's really up to each individual bargaining unit. But the staff has been authorized to consider that. That's already standing direction. We don't need to do further here.

>> Councilmember Chu: Thank you, thank you for clarifying that. And that will be it for me, thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. And again, thank you for your budget message. One of the things about being last to speak is, most of your colleagues have already answered or asked the questions you've wanted to ask. But there are a couple of things that are -- that have to deal with safety. And I would hope that the City Manager would look into, I know that there's a program to turn off street lights throughout the city. And I've heard an effort to expand that. And when you look at the overall cost savings of turning off lights and compare it to the cost of having to replace damaged property because it's being vandalized during this time or even loss of life, I mean, is it really worth it? So I would like the -- I'm asking could we ask the City Manager to, as she's

considering her budget bringing it forth in May, to take a look at that? I think that with future service reductions, you know, we are getting hit harder. I mean I look at my district, I look at Vice Mayor Nguyen's district, Councilmember Liccardo's district. I'm sure you're all experiencing much, much higher instances of not just violence but graffiti. So I would hope that we might be able to take a look at that. As well as, I know that in your message, under San José best, that there was -- you had mentioned the gang service programs and making it a priority, to continue them, in creative ways. One of them was to potentially have it funded through HNVF. Does that create another hole where, in order to fund San José B.E.S.T. or even partially fund San José B.E.S.T. through HNVF, does that create another service reduction somewhere else for other organizations of providing different services? I do remember that it was probably about five -- over five years ago that we created or that the council created buckets or categorize different types of services that would be funded through HNVF and those would be more of the after-school type programs or other types of community service programs. And San José B.E.S.T. was specifically gang intervention. And early prevention. And so I'm just wondering, are we going to need to cut something in HNVF in order to support San José B.E.S.T. through that?

>> Mayor Reed: Well, there's not enough money to go around so in that sense, it is a zero-sum game. If you spend it on that you can't spend it on something else. But particularly with Healthy Neighborhood Venture Fund, the council has changed the categories of spending in that fund multiple times. Every two or three years we evaluate how it gets spent. So to the extent we only have so much money work with, if some of that money gets spent for senior nutrition or for gang prevention intervention, there's less money to go around for some of the other categories. I'm not trying to predetermine the outcome of how that money gets allocated, that's work I expect the manager to do during the budget process. But there's only so much money in the HNVF fund.

>> Councilmember Campos: Okay, thank you. Also with San José B.E.S.T. and I know that funding goes up and down with San José B.E.S.T. and that's happened throughout its life since I think it started in '92 or '93. I would like, as the manager you know looks at putting the budget together, that San José B.E.S.T. not fill any reductions this year. I think this is -- this is really one of the only funding sources to work with the population nobody wants to work with. And you know, and you know unfortunately, that trickles down to the kids. The kids know that you know, that their -- they're experiencing difficult times in their lives, they've made bad decisions, and to top it off,

nobody wants to work with me. I mean, imagine yourself in that situation. And there aren't very many groups that work with this population in our city. And to reduce the ability for that limited group to work with this population, you know, I think we'll -- we will see the results in the long run, and it's not pretty. I was at a community meeting a couple of days ago, and you know, one of the officers was commenting about violence in our city and yes, violence has gone up. And the one thing that struck me is, and I didn't really think about it until -- until he mentioned it, was that one of the reasons why our homicide rate has not gone up, and is relative -- you know when you look at over the years it's relatively low is on each end of our city there's a trauma center and very good trauma centers. I would hate that to be, you know one of the reasons why we look at you know what, we're doing okay because the hospitals are saving our kids, when really, we should be working to save our kids before it gets to that point. So obviously you know San José B.E.S.T. is very important to me, and then just the last thing is, just on the SAFR grant, I'm glad it's in your message and that we continue to do everything we can to be able to utilize that. We just had -- I mean the world just had a reminder of what happens, when -- even when you're prepared. And I think we can make an argument that Japan, if any other country in the world, for a natural disaster, it would be them. And no one's prepared for a 9.0 earthquake. And to that extent I just -- you know we need to really weigh in terms of safety what's important for our city. And I think that we need to do everything that we can to make sure that we retain our Public Safety departments as best as possible. Because I -- you know, I'm watching what went on in Japan on television, you know, it's heart-wrenching. I don't think we want to see that there. So thank you mayor.

>> Mayor Reed: Thank you. I have a couple of responses to a couple of your questions. [applause]

>> Mayor Reed: First, I share your concern about the B.E.S.T. program which is our gang prevention, intervention effort. But that program has been funded primarily almost exclusively with redevelopment funds, over its nearly 20-year life span. When I was in my first term in office, my first budget message, my first budget we increased the funding for that by \$1 million with redevelopment funds. So it was up to \$4 million a year. This year, zero. So there's no redevelopment money, but it's a very important program. And redevelopment is a funding source. The program is important, and so I am recommending that we continue to maintain the program. We have to look at it, and see if we can save some money and look at the duplication and anything in there where we

can save money but it is an important program and we'll continue to fund it. But there's less money, there's no doubt. The redevelopment funding, that's part of the -- not even the \$10 million we're adding on, Jennifer has already calculated a loves that funding. But we will continue to fund the program. Second thing I wanted to talk a little bit about the SAFR grant, because I was in Washington this past week to talk to FEMA specifically about the SAFR grant to see how much flexibility they had to help us deal with some of the problems we have in accepting the money. And for people watching who don't understand the acronyms, SAFR is some sort of a federal grant having to do with safety, right? It's \$15 million for two years, so really \$30 million that the federal government has made available to us, to deal with problems that we're having in funding our fire department. We'd really like to be able to take that money and be able to spend it but it comes with strings attached. No strings is no layoffs. So if we take the money for two years, it means we will have committed to a staffing level that we may not be able to keep. And the big question is: Whether or not we can take that risk and take the money and maintain the staffing levels. And the problem rises from the fact that even though we have on the table in a few minutes a contract with our firefighters that would save us almost \$10 million in pay cuts, which is a significant pay cut and another three to \$4 million in staffing modifications, that's about 13 to \$14 million in savings. Next year, just the next fiscal year, the costs for retirement contribution increases, health and other benefit increases and salary step increases in the fire department alone will be \$20 million. And as we talked earlier, the next fiscal year after that which would be the 12-13 fiscal year we have other problems. So we're trying to figure out what the second year looks like, how we can try to insulate ourselves against the risk of things getting worse, which they have a habit of doing, so we can take the SAFR grant. We may not be able to take it. Even though it's money coming from the federal government it may not be possible for us to do that because of the magnitude of the difficulties that we continue to face. Staff will continue to work on that. One of the things that FEMA was willing to do is give us more time, which will be helpful. I know the chief is working on it, the City Manager is working on it, the budget staff's working on it, and the unions, and our firefighters are working on it. So if there is a way, we're going to do our best to find it. But it is by no means certain that we are going to be able to do it. One other minor change: The agenda has the wrong date of the March budget message. This is the '11-12 budget message, not the '10-11 budget message. One minor correction on that. Any other questions or comments on the message from the council? We have a motion on the floor made by the Vice Mayor. All in favor? Opposed? None opposed, the budget message is approved. Thank you very much. I know that that was the easy part. Now we've just made it hard for the staff

but they have their direction and that's just part of our process. So thank you all, thank the councilmembers for their support. We'll now move to item 3.1 which is report of the City Manager, who is not here. She is out ill but I think Ed Shikada has something to report.

>> Ed Shikada: Thank you, mayor and members of the council on behalf of the City Manager "do not have a report today.

>> Mayor Reed: Thank you, we will take up item 3.three, recommendation from staff to approve the terms of agreement with the San José firefighters, international association of firefighters local 230. We have a motion to approve. There may be some staff presentation. We'll give them a chance to get in place here. I have some cards from people who want to speak. We'll take that as well. Do you have anything that you want to present, Alex Gurza and staff?

>> Alex Gurza: Yes, Mr. Mayor, good afternoon, Alex Gurza, Director of Employee Relations. I do have a abbreviate presentation. First and foremost you have before you the memorandum that we've provided to you along with the complete text of the tentative agreement. That has been available for a full 14 days to the public to be able to review it and for anybody that may be watching and want to review it for themselves it is available on our Website and if anybody wants to review what's before the council this afternoon. In terms of the negotiations with the San José firefighters local 230, their agreement is a little bit different than the others in the sense that their contract actually expired back in June of 2009. And we began negotiations with the San José firefighters in April of 2009. Their contract expired in June. We were headed to binding interest arbitration and this tentative agreement if approved by the council would avoid arbitration that we were facing. One of the things that I'd like to take a moment to do is to recognize the negotiating teams so on this slide, shows at the top part, the San José firefighters negotiating team, led by local 230 president Jeff Welch. And the one thing that we have an opportunity to do as city negotiators as we negotiate is to get to know the negotiating team that we negotiate with. Both learn about the work that they do and the challenges they face but also, to get to know them a little bit personally. And Jeff's team has some people that we've known for years and worked with but also some newer people to us and one of the things that we learn is they definitely bring skills to the negotiating table beyond the skills that they

bring to their day-to-day jobs. Some very bright people on Jeff's team that know a lot about whether it be about numbers and retirement issues so it was a pleasure working with Jeff and his team. On our team on the City's negotiating team you see us up here, Aracely Rodriguez, whom you know. And to my furthest right, Marco Murcado from my staff, and also assistant chief Teresa Reed who was with us since the beginning of the negotiations. I did want to take a moment to recognize the bargaining teams. In terms of the agreement, this is very, very briefly, the goals or the highlights of the agreement. The agreement, we could have considered a two-year, but really, it goes back to 2009. So the term is a little bit longer. But it goes forward until 2013. It does achieve the 10% ongoing total comp reduction through the base pay reduction and also, the health care changes, increasing in what employees contribute as well as a change in the co-pay plan. Local 230 has also agreed to start phasing in to fully prefunding our retiree health care. As all other employee groups have been doing. The other thing that was mentioned earlier in the last item, they have offered to change the minimum staffing provisions in their contract to allow the flexibility to change staffing on trucks from a minimum of 5 to 4. And also, we're instituting a pilot wellness program that we think is a very good step into addressing wellness issues. Now we know and I know that our bargain teams know, has been discussed with local 230 is that we know our work is not done. And the agreement has several items that we have both committed to continue working on. First and foremost is retirement. I think it is important to point out that local 230 did propose a second tier with a lot of details in the elements of that. Plus, a what they called an opt-in option where employees in the first tier current employees could potentially opt-in. Because there was a mutual interest in settling as quickly as possible so that we can assure the savings that the city could count on for balancing the budget in 11-12 we agreed to continue or we actually proposed and they accepted our idea of continuing to negotiate retirement given the complexities and wanting to make sure that we all fully understood the proposals and having a little bit of more time on that. Other items that we agreed to continue to talk about are the sick leave payoffs, the sick leave payouts, the supplemental retiree benefit reserve, which is otherwise called the 13th check, also left the ability to negotiate over the layoff process, if necessary, as well as some other items that are being considered as part of budget-balancing for 11-12 which is the subsidy for public transit and also airport fire services. We also were able to resolve three pending grievances that we have and so with the resolution of these three grievances there has been a very dramatic reduction in the number of pending grievances that we have with local 230 which I think we both see is a very, very positive, positive sign. In terms of the savings in the agreement again those numbers were mentioned in the

last item but the 10% ongoing total compensation reduction is almost \$10 million, \$9.75 million and that amount is equivalent to approximately 70 firefighters, just to give you a sense of what that money is worth. On regarding the minimum staffing change it could be worth up to \$3.35 million and why did we say up to? That is because if the city utilizes the discretion to change staffing on all ten of the existing fire trucks to four it would save the 3.35 million. That's still under review as to whether or not that staffing would be changed on all of the trucks or on most of them. And so the total ongoing savings if you consider the minimum staffing change would be up to 13.1 million as part of the agreement. So our recommendation and I know that the City Manager if she were here today totally express gratitude to the San José firefighters for coming forward on behalf of the City Manager and our bargaining team we recommend approval of the tentative agreement with the San José firefighters, so with that I'd be happy to answer any questions you have.

>> Mayor Reed: Thank you, Alex. I want to thank our firefighters many of whom are here for their willingness to take the lead in doing something that is not pleasant for any of them to take a significant pay cut but it's an important step towards saving jobs in the fire department and helping to close the gap in our next year's budget and I really appreciate the leadership that they've taken. But as we've said many, many times I think here today and previously, 10% doesn't solve the whole problem. And as I mentioned earlier the cost increases in the fire department alone for pension and other benefits is about \$20 million next year. This contract represents a very large chunk of it but not all of it. So I'm going to support the staff recommendations, I think this is a important first agreement, allows us to move forward, we have other items on the table that would yet allow us to save more money in the fire department and I hope that we're able to do some of those because I don't want to lay anybody off and I'd very much like to bring back the firefighters that have been laid off because I don't think we have enough firefighters. Unfortunately the costs have escalated dramatically over the last decade and we just can't afford as many firefighters as we ought to have but this contract is an important step so I'm going to support it and urge my council colleagues to support it as well. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. I was going -- I thought Sam would have his light on first so I was going to address Sam's memo so I'll go ahead and address it in anticipation of what's to come. First of all, I want to say that there is a lot in Sam's memo that I agree with. In fact, it has been -- I have stated several times, I

know some of my colleagues have stated several times, over the past several months, both in council sessions, in closed sessions, and in the priority-setting sessions that our goal of 10% was probably not high enough. And that as we clearly saw in the previous agenda item, that we're barely going to hit 30% of the problem. I think with the increased deficit, as it increases we'll probably be less than 25% of the problem will be addressed by 10% overall compensation reductions. And I think that it's clear that we need to continue to do more, and find more. However, that being said, my concern with the memo is its placement on the time line. I think that we have an agreement that not only has been signed by the union, and ratified by its membership, but we signed our side of the tentative agreement, and we acknowledged how comprehensive the agreement was at previous council meetings. And I think that if we were to approve this, at this time, it would cause a lot of chaos. I think that we, if the majority of the council approves it we would have issues with regressive bargaining, which it's not to say that I don't -- I think this that we went far enough because I don't think we have. But I think that where we are, we're in a position that we have -- that we can't go forward with this memorandum because of the regressive nature of the bargaining. I think that at the same time, I think we have to be very clear that we should be changing our council authority on all of our labor negotiations that aren't at this point in the time line. Unfortunately I think in this case, thought only has the train left the station but it's already arrived at the other station and that's why we can't go back on it. I think we are -- we have a commitment, and that we're too far down the tracks to change. But I do want to implore my colleagues, while not to support this memo at this time for this purpose, that every single thing in this memo is real, every single thing in this memo is accurate. And we should take this and we should be revisiting our authorization on every single agreement that we don't have a tentative agreement on. Because we are on a collision course with insolvency and I've brought it up time and time again. We are running out of things, solutions. We have substantial issues in front of us. I brought up in the previous item, I think that two-year contracts may sound good this year but they are going to be extremely heavy burdens for us to deal next year. So to say Sam I'm sorry I can't support the memo at this time but do I support everything in it in concept and I do urge us to, at our next direction-setting meeting, to change direction for everything that's not this far down the tracks.

>> Mayor Reed: Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you. I also wanted to thank the men and the women of the fire department for your services to the city of San José. Also wanted to thank the new leadership at Local 230, especially the new president, Jeff Welch. I think under Jeff's leadership the union is definitely more engaged with what's going on and recognize the fiscal challenges that our city is currently facing. Then of course the negotiating team, Alex Gurza and his staff for all the wonderful work and working so tirelessly to bring us this deal. We all recognize that this deal is not enough to help us solve the structural deficit. We recognize that for a very long time. And Councilmember Liccardo addressed that in detail in his memo. But with having said that, I think that local 230 certainly hold their end of the bargain in terms of providing us key concessions that this council has previously asked. And we understand that various fiscal reforms discussions are going on right now between the two parties. And so with that said, I don't think that we should defer this deal. We had a deal. We need to honor that. We need to move forward. I think if we don't we're sending a very negative and wrong message to the other bargaining units that the city is flip-flopping on what has originally said and so I think that it's time that we move forward. We had ample time to change our minds and I think that this is just not the time to go back on our word. So let's move forward, let's honor this deal and keep focusing our time and energy on negotiation with the rest of the bargain units. So I would support the motion. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I remember last year we probably -- most of us up here probably would have believed this would have never happened that we would have the opportunity to vote yes on this contract. So I think all of us were pleasantly surprised when this came forward. And I also want to add my congratulations to all the members of the firefighters that are here today. As well as Jeff Welch the cleared and our team here, for all the hard work, the many, many hours and hours of work that you put into bringing this to us. And I do think that you are to be commended because you set a tone. You set a new tone, and you certainly gave us something to be hopeful in terms of negotiations with other bargaining units. You've shown leadership, and I think the changes are really meaningful. You went further than the 10%, the health care changes, the phasing and the prefunding of health care, the minimum staffing which gives flexibility I think all those things are really good. The pilot wellness program, and resolving the grievances. It was a good Pam. It was something I

think we all were glad to see and still feeling positive about it. As was already been said, we know there are still many issues, sick leave payout, SRBR, all the issues that still need to be addressed and that are going to be addressed, and so I go into this with the hope that those things can be worked through. Because obviously, there's a huge number in front of us and Councilmember Liccardo's memo details all of that. I'm in agreement with most of what he says. I think that we do need to honor our word, because I think that we would be going the wrong direction after all of this to go back and now go another way and not honor this contract. So I'm happy to support it and vote yes.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you very much. I'll be supporting the motion and also like to take this opportunity to thank the men and women that work in the fire department and special thanks to the negotiation team on both side, the city's side as well as Jeff Welch and local 230 side. So thank you very much.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I think that messages are often conveyed to lots of different media and lots of folks here. Let's face the elephant in the room, a lot of folks are pretty ticked off about my memo. I should at least refer to what's in the memo so we can talk about the issues that are out there. The memo was put out Friday starts by emphasizing that we must not minimize the historic and civic minded nature of the firefighters discussion. This agreement amounts to a bold move by a courageous group of civil servants and they deserve our thanks. They gave the 10% reduction in total compensation, the council requested November 18th, 2010 direction clearly these developments collectively say much about the willingness of our workforce to sacrifice in this time of fiscal crisis. Like my colleagues I welcomed local 230's announcement of its offer. I supported the agreement and celebrated their willingness to step forward. So I think it's important that at least we understand everything in the context in which I think there is some general uniform appreciation of the step that was taken by the firefighters. This is not about blaming the firefighters. I'd like at this time really to reiterate my support for the mayor's budget message and the fundamental principles which is that our goal is to sustain current

service levels. That means keeping firefighters and police officers employed this this city and to do that we have to get to first tier retirement cost and I'm appreciative that the firefighters are willing to put retirement costs on the table. It seems to me that our best approach would be to incorporate negotiations offer retirement cost and whatever we negotiate relating salary concessions. Now it's not a secret to anybody which way this vote's going to go, of course, but I feel it's important we identify what I see as being the problem here. The problem is we have no clear path of getting to our goal of sustaining current service levels or improving them in any way. We're painting ourselves into a corner. We're going to approve a deal in the hopes that subsequently we'll get around to negotiating a very complex deal on retirement costs rather than trying to do everything we can to get this over the goal line in a comprehensive way this day -- I'm sorry -- this year, rather, at a time when we know it's incumbent upon to us do that. Why? Because the alternative is even if every bargaining unit gives us, as we discussed, everything that we asked for in November of 2010, we're looking at cutting our police officers by 230, the number of our firefighters by 90, turning off every street light in neighborhood streets. These kinds of Draconian measures are precisely what all of us in this room agree we need to avoid. And the problem is that we've clung to the same concessions targets that we set back in November of 2010. That was that the time when the budget deficit was considerably less severe than it is today. The target has moved four times from starting it \$41 million and you just heard, about an hour ago, Jennifer Maguire describe that we're not done re-establishing where the deficit is. It's going to get worse, and we'll find in the next few days exactly how much worse. The problem is we're still shooting 90 degrees in the wrong direction as if we were facing a much smaller deficit. So I think as much as we want to praise those who are willing to step forward and let's be clear the firefighters were the first and I'm grateful or the that this year, we have to be sober about the reality that we're facing and my request was that we continue negotiating, that we hold off signing this package until we can negotiate something that's comprehensive that reflects a comprehensive direction from this council about how we're going to get through what will likely be \$120 million or more deficit. Now I know that there's a side letter that's obvious, I think, to all of us up here, and anyone will admit that fact, and I refer to it in my memo. The problem is what we know is that based on our experience, resolving a contract now. And staying with the side letter we've got no assurance that anything is going to resolve on that this year, that negotiation and side letter could be discussed for many months, maybe many years. Because after all, we've all known about retirement costs, and it's been really a ticking time bomb for several years, has gone on certainly since I can remember being on this council. So it is my very strong conviction that

we've got to act this year to avoid putting our City's residents in peril. And that means including discussion of retirement benefits within current negotiation and whatever package we need to negotiate now. So I think we should be going back to the firefighters engaging them on the very proposal that they put on the table. And if we offer a counter or explore other alternatives we should do that. But we should know -- we should be pretty honest with ourselves about the dynamics of concession bargaining. This is incredibly difficult work for everybody certainly on Alex's team for everybody on Jeff Welch's team. In either case there is a lot of bad news all around and it's very, very difficult for everyone. And I think the likelihood of us achieving an agreement or a subsequent agreement after this contract is signed I think is, frankly, not good. So as a council, I think we need to reassess our position. When it becomes apparent that we've charted a course that won't get us to safety we need to have the good sense and the courage to change course. And the question obviously arises, isn't it too late to do so? But if we have the opportunity to avoid the cliff it's never too late to stop and reassess, it seems to me. The question that lies before us is whether or not we muster the courage to admit that we're on the wrong path. We stuck to the same path we set in November, and shouldn't we stop and reassess before we get to the cliff? For that reason, I'm not going to support this motion. I'm very grateful -- this is not a reflection of my views of the firefighters, Jeff Welch or anyone else. I've been positive publicly as I possibly can be about the sacrifices that I recognize firefighters are taking in this instance. And frankly sacrifice that firefighters take on a daily basis. But it seems to me that we have to be honest with you and honest with the residents, and that requires us sometimes to make difficult vote.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. First of all I want to thank our bargaining team. I know that you put a lot of work into this, and frankly I was very happy to see the relief on your faces when this agreement came through because I know it wasn't necessarily anticipated to come at this time and I think you deserve that feeling of relief. And of course, the relief was allowable because of the great work and sacrifice of the leadership of the firefighters of local 230 and the far majority of the firefighters that voted to make this incredible sacrifice. And I truly feel honored to be on the city council at the time when this historic event occurred which I believe it to be, especially considering past negotiations, this does mark a positive turn in not just the sacrifice of our firefighters,

that they already make every day, when they're out there working on behalf of the residents of City of San José. But the fact that they're making a very significant sacrifice in terms of their salaries and compensation and they're doing it because they want to serve and they've always shown that commitment and this just cements that. And I'm so proud of the firefighters of the City of San José. And I would like to make a couple comments just on what Councilmember Constant and Liccardo discussed, and I think Councilmember Constant put it delicately when he said his concerns with Councilmember Liccardo's last minute effort was where it came up on the time line. As Councilmember Constant indicated and I think others also, the past several months we've been very well that our goals may not meet what we want them to and certainly in the past two weeks, including study sessions in January and February, was very clearly stated that 10% would not be enough to avoid layoffs in any of the departments. That was not confusing to any of us up here. Any suggestion that we -- that any of us up here are somehow not being courageous or not being honest with the residents by accepting this deal, or by somehow misleading the community is absolutely not true. I think all of us in -- every time I've heard anyone up here talk, it is clear that we have other challenges and I agree completely with the mayor that that this takes us part of the way, it is a very positive sign but there's still a whole lot more work to do. I appreciate the sentiment that Councilmember Liccardo, in terms of showing appreciation, but I think appreciation is more significant when shown through actions than through words. I received an e-mail on the agenda desk, at 5:05 p.m. on Friday. We have known for weeks that 10% wouldn't be enough. Councilmember Liccardo, in his memo, indicates that he celebrated the willingness to step forward but a more sober perspective has emerged. I don't know what more sober perspective has emerged in the last week and a half or so that we didn't know a month ago or two months ago. And so I was appalled when I saw it frankly. I think the action indicate a disrespect for the sacrifice of the firefighters, the work of the City Manager's office and to all of us on the council and most importantly the principles of bargaining in good faith. I think Councilmember Constant referred to the risk of being accused of regressive bargaining by even challenging the current agreement. But most importantly is, look, we know we have great sacrificers, the firefighters actually put second tier and even an option for an opt-in for first tier on the table. It was our City Manager's office, with agreement from the council, that had said wait, let's set aside that discussion with all of our bargaining units. There is no reason, given the fact that these firefighters have stepped up, that I don't believe that they are willing to put in the work and effort necessary to find a resolution to help us not only have further cost savings in this fiscal year but help us achieve or help us give the ability to get that SAFR grant

because that's in everybody's interest and we know we can't do that with the 10%, that's been very clear. And so I think that the City Manager's office and Alex Gurza and his team have been correct in separating that issue out. I think that we've achieved a great accomplishment getting 10%. There's been any misleading of either the firefighters or the community that that 10% was enough. In fact, the firefighters were polled and asked, and they agreed to set that item aside so they could continue working on it. And it was a tremendous amount of work to do, and I look forward to our bargaining team working with the firefighters on achieving that, and I look forward to the other bargaining units seeing the firefighters as an example as we've already seen that's happened with other bargaining units putting 10% forward because ultimately if we don't receive further -- if we don't get further compensation or further adjustments to pension or further adjustments to retirement, there are going to be more layoffs. We feel we will not be able to successfully access the SAFR grant. So it's all in our best interest to continue to working with each other. But again I just want to reiterate how proud I am of the firefighters for showing great leadership and great sacrifice to the City of San José. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you mayor. I would like to make a couple of comments. First of all I think we have to rhyme on more than employees. In other words, if the conclusion is oh we're not asking enough so we have to ask for more, I think that's disingenuous. I also think it has a very chilling effect on our negotiations and our intentions. It puts our honor at stake. First of all, I have a tremendous amount of faith in our firefighters and our negotiating team. Both have shown a tremendous amount of courage and they've shown a lot of truthfulness, hard work, you name it. They've been there and done that. So I think, too, it's -- you just can't change horses in the middle of the stream. That's where I'm coming from. We can't -- I think law prescribes that. We have to bargain in good faith. We started with X, we need to end up with X. And not try to change along the way. I do think, however, and I did put forward a memo, that refers to increasing our ability to get information. I think -- I agree with you Sam, if that is part of your reasoning. We need to have more concrete information as we go along. For example, local 230 proposed a second tier retirement program with an opt-in option. I haven't seen any information on that and what dollar figure that would provide. So there are several things that we asked Russell Crosby, me meaning myself and my staff. And he said yes, he could put that together and get it to us in a couple

of weeks. But the information trail needs to be complete. It needs to go to the employees, we need to get it out to residents. Everybody needs to be on the same page with what the absolute correct information is. My residents and I'm sure many of yours as well are highly concerned about what's going on, what are the figures, how is this going to affect us and they also want this information. So I understand that information provided at this time can't be exact. But it can be very useful when looking for solutions. I'd like to see a more of a price tag on the items that we bring up as potential solutions. So with that I'll move this after we take care of what we're -- the contract. So I think this is a wonderful offer that you've put forward and I once again have great faith in your abilities and your desire to move forward and to continue working out some of the problems that haven't been solved yet. Thank you for all that you've done.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. If I may ask a question of the fire chief at this point, I see that he's out in the audience, is that appropriate?

>> Mayor Reed: Chief's here.

>> Councilmember Rocha: .

>> Councilmember Rocha: So the proposed MOU as recommended by the City Manager how do you see that affecting your staffing and department plans going forward for the next fiscal year? Can you quantify that? Have you had a chance?

>> Well we've been Mr. Mayor, councilmembers, we've been working with the local very diligently and collaboratively throughout this process to try to develop proposals that would minimize the impacts of our service delivery on our community. Some of the things that we have been able to work through in particular the truck staffing has provided us to be able to add-back some of the companies that we would have otherwise had to have cut as a result of the budget target that we're expected to meet. So in that instance in particular, that provides an

ability for us to provide greater services to our community than we would have been able to otherwise. We've also had the opportunity to work with our firefighters in looking at alternative ways to be able to respond to some of the calls that we respond to now with full companies, and be able to do that in different ways that would allow for us to make better utilization of the resources that we do have so that in those events where we have larger incidents and we need a lot of our resources that some of those will be available as opposed to tied up on some of the more minor incidents, say alpha and bravo types of aid calls. So it provided us with a lot of different options than we had before. And I think in terms of the service level that we would be able to provide the community is much, much higher than it would have been, and the collaboration just continues.

>> Councilmember Rocha: Thank you for your frank answers, very helpful, appreciate it. So I'll be brief. A lot of my thoughts have been already spoken to. I don't believe there was an actual motion for deferral but I'll be supporting --

>> Mayor Reed: The motion is to approve the staff recommendation.

>> Councilmember Rocha: So I don't believe there is a motion for deferral. So I'll be supporting the recommendation approving the terms of the MOU. I'm going to reconfirm that in my opinion, there's a number of reasons why, because this MOU was negotiated in good faith and approved in good faith. Deferring this item, in my mind, would undermine our credibility in terms of the numerous negotiations we are engaged in with our other bargaining units, and it is difficult enough as it is without deferring negotiated agreements to try and achieve potential additional concessions that may or may not even be willing to negotiate. And lastly, while I agree with the opinion or fact, actually, that the unfunded liability of our pension system in the future annual retirement payments is a more significant fiscal obligation, I do not support an approach to addressing it in this manner. As I see it, let's assume that 70, 80 or 90% of the tier 1 vested retirement benefits are not negotiable, then the remaining future 200-plus million obligation and a projected 400-plus pension obligation in the out years dwarf the estimated 38 million that concession will bring us should we achieve them. This to me is even more reason to negotiate and come to agreement with our bargaining units in a mutually respectable way on salaries and one that is open and honest about what our interests are and what we expect to need from these discussions. And I

believe we've been moving in this direction. And I would point to the 95% ratification by local 230 to the point that they see and recognize there as well. And again I'm going to repeat myself from the previous item that until we have analyzed and I think Councilmember Pyle is speaking to this in a different way, what we see as a city as a sustainable retirement system how can we expect to negotiate one? I again would like to see our retirement staff design system that they see is sustainable outside of the negotiation process and a neutral environment with no one's interest in mind except the taxpayers. Until we have this, I will consider our efforts and terms for negotiation on pension reform lacking, and in addition I'll consider our professional analysis flawed until we ask our staff what the recommendation is as I mentioned earlier that we do of other professional staff so let me again state out loud that I support pension reform in order to help balance the budget. My ultimate interest is providing services to our residents, and I'll work towards that goal with my colleagues. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I too will be supporting the motion and agree with the comments of most of my colleagues. I -- first of all I'd like to thank our firefighters for working with the city staff by - in coming to terms with this agreement. I mean it's a tremendous sacrifice and I think we all -- we all know it and I think most of all our residents know that. And I believe our residents appreciate that. In a time when we're facing difficult budgetary decisions today's agreement demonstrates the dedication of our employees to preserve services that our residents have come to expect. Even though this agreement may not be satisfactory to everyone, I commend our employee groups for agreeing to make reductions in light of this great recession. I further support Councilmember Pyle's memo. It's only -- it's the right thing to do that we explore and evaluate the long term impacts of our decisions as we continue to move forward with finding a resolution to our budgetary problems. Not only for the reassurance for our residents but also for our employees and especially for our employees' morale. Very important that we move forward and do what's best for our city, thank you.

>> Mayor Reed: Before we take the public testimony I just had one additional comment I wanted to make, and that is, it's great that we got this contract in front of us. But I don't want to forget about the 25% of our workforce that took a 10% pay reduction last year in the contract negotiations that affected their pay for this fiscal year. We

appreciate that. That was important, it helped us save a lot of jobs. And let's just not get overly excited about the firefighters. Because it is only one out of 11 and we still have ten more to go. But it is a really important first step, and we appreciate them taking the first step. Included in the people who took 10% reductions were the mayor, city council, City Manager, City Attorney, our senior staff, our unrepresented folks in unit 99. There were a lot of people that took a 10% cut last year that helped us save jobs. That's what we're going to do this year, with the 10% we're going to save jobs. We're going to save firefighters jobs, we're going to save police jobs if we can get concessions from the police officers, and we'll save other jobs for others. And one of the things we didn't discuss in the budget message was my recommendation that if we get concessions from fire we use that to save fire jobs. If we get concession from police union, use that to save police jobs. And if we get could be session from nonsworn federal or miscellaneous, that we use those concessions to preserve jobs in the rest of the workforce. I think that's worked to our advantage in this year that we're in now and will be important for next year. And hopefully the lights are going to stay on so we can take some public testimony. I'd like to do that at this time starting with Jeff Welch, Pat Saucedo and then David Wall.

>> Good afternoon, Mr. Mayor, council, city staff my name is Jeff Welch and I'm the president of San José firefighters, and let me start by saying this. Who would have thought we would have been here a few months ago, standing here on the precipice of a celebration. Not many, not even me, but I was optimistic. Fests the agreements before you are not by accident. They come from the fruit of the tree of rebuilding trust and relationships. It's through that a lot of hard work and sacrifice by every party, that of my team, my negotiating team the membership, Alex's team and the city staff. I know that they stayed up long nights, contemplating and working up our deal, and bringing that forward for you guys to deliberate over and have these kind of discussions. Your decisions to adopt these agreements will go a long way towards watering that trust tree, and we understand that there's a fiscal emergency and that's why your firefighters came and answered the call. We know that there's a lot of work left to be done. But we also understand that we can't afford to play games or political spin on these issues. Which has affects of the safety of the city. The consequences of that are just too dire and we urge you to do the right thing here today and I think it's going to happen, I appreciate that and we appreciate that, that we can move forward with certainty and stability for the city in adopting this agreement, and you have my word and that of our membership that we are going to work tirelessly like we just did over the last few months to come to this point

over retirement issues and all the other issues that were presented here in the tentative agreement. We will come in the best faith possible to find reasonable solutions to our common problems and as presented in our previous offer we did come forward with retirement issues that need to be explored further and we understand that and we agreed. So thank you for your part. We did our part collectively, the membership I want to thank them for standing up and supporting themselves and the city here. So now I guess it's time for you guys to do your part and so we can get down the road and roll up our sleeves and get back to doing our job here taking care of the citizens in our community and the fiscal emergency that we are facing. Thank you. [applause]

>> Pat Saucedo: Mayor and council, Pat Saucedo, San José chamber of commerce. I think the issue before us right now, the reality is, there is a lot of truth in what everybody is saying. It is a challenging issue before you, and I think on behalf of the chamber you'll make the appropriate decision on the motion that's before you. But I wanted to make a couple of comments. You know the chamber appreciates all the bargaining units who have offered compensation or benefit reduction and reform to try and meet the budgetary constraints of the city. Past and present. While the timing has not been good, Councilmember Liccardo's memo has clearly elevated the very unpleasant truth that for the city to survive this fiscal year, 10% compensation cuts will not be enough. When the mayor originally asked for 10% across the board we were all very hopeful that that would take care of the budget situation in year. But in the spirit of open and honest discussion and not to mislead our city employees, our city residents and our city businesses, 10% just isn't going to be enough. I am pleased on behalf of the chamber to hear the conversations of all in the room that recognize that we have to continue to stay at the table. Additional reforms must be met and pension and benefit reforms and reductions must be concluded to meet this year's budget. We appreciate that, we stand behind you, we know it's difficult. Thank you for all your hard work.

>> Mayor Reed: David Wall followed by Cara Capaldo and Henry Sorvine.

>> David Wall: I don't believe the fire department should take any pay cut to be honest with you. I think other city departments should enable the entire loss. Fire people are the only people that risk their lives and burn to death to save us from burning to death. But let's focus on Councilmember Liccardo's memo. This memo really should have referenced the budget session training whatever you want to call it that was held February the 14th in the

wing. It should have also referenced testimony given by the retirement director. If it were to have referenced it, the horror story would have been a lot greater and more accurate. As Councilmember Liccardo mentioned, four years, I believe it will be fiscal year 2014 where the retirement cost as a whole not just salary or firefighters and police, as a whole will jump to \$400 million for the next 20 years. Your message, Mr. Mayor, also did not include that. Also, that was only in good times. Because as I recall in the back of the room, the retirement director said if there's any interruption, it could easily jump to \$650 million a year. I predict that those things are very truthful and Councilmember Liccardo although not accurate to the point of analytical correctness is on point with the fact the city has been facing financial insolvency not just in future but for years. Which puts the onus back on you folks about having to come clean about the fact that you have abjectly disregarded your duties as stewards of the public trust to fund your liabilities. Councilmember Constant also mentioned during this time period, on this meeting in February 14th about amputation of entire sectors of city operations. We haven't heard that discussed either. You want to maintain business as usual. Well, business is not going to be as usual. And that includes Mr. Mayor --

>> Mayor Reed: Sorry your time is up. Cara Capaldo, Henry Sorvene, and Pat Dando.

>> Good afternoon, Mayor and city council. I'm Cara Capaldo, and I'm the vice president of CAMP, and I'm a member of the negotiations team with the coalition of AEA, AMSP and CAMP. Mr. Mayor, we also took a 10% cut last year, you didn't mention us. I want to voice our support for approving the contract with the firefighters, and I want to thank you in advance for not approving the bait and switch as proposed by Councilmember Liccardo. The members of my bargaining unit have serious concerns that if we reach a tentative agreement with the city, that the city will change its mind. That makes us coming to the table and negotiating in good faith very difficult. Councilmember Liccardo's actions undercut the credibility of your bargaining team and that makes for a very unproductive negotiating environment. Our coalition and your bargain team have made substantial progress at the table this year. We know that the retirement reform discussions are going to be difficult. If we cannot have good faith bargaining at this stage what makes you think we can make any progress in the future? Too much is at stake right now to not approve this agreement. You are not sending a good message to your please vote no on his and approve the firefighters contract, thank you.

>> Mayor Reed: Henry Sorvene and then Pat Dando.

>> Good afternoon, honorable mayor and members of the city council. My name is Henry Sorvene, and I am a member of the association of engineers and architects, and I also served on the negotiation team of that unit. First of all I do have to say I thank the negotiations team for the city side for their professionalism throughout this process. We worked in good faith with them to achieve the goal of overall 10% compensation. But what you have before you is a simple choice. Either your worth means something or it doesn't, it's that simple. Regressive bargaining is bad public policy and what Councilmember Liccardo is asking you to do will destroy any progress made over the last several months to work collectively on solutions during this fiscal crisis. We are headed in the right direction. By approving the agreement before you it will send a message to our bargaining unit and others that yes, we can find common ground. Remember, these are the same employees that you will be asking to work with you on retirement and other reforms. How can we do that when the elephant in the room is that some of you may pull a switcheroo? Councilmember Liccardo's memo is not so much an attack on us but rather an attack on you. He sat at every meeting with you, and when the budget and council direction was discussed and voted on he heard that as well. He sat through with everyone the PowerPoint presentations that spelled out the retirement issues facing all of us and voted along with you to give direction to city staff. So I ask you that you continue with your direction. You do not accept that countermemo. Thank you for your time.

>> Mayor Reed: Pat Dando is our last speaker.

>> Pat Dando: Good afternoon, mayor and council. Jeff and firefighter local negotiated in good faith. The approval of this contract should be a time for celebration. But sadly, with most of you, and the people in the audience saying they know that 10% is not enough, and you have to go back to the drawing board, and we may lose 90 firefighters, our deficit is nowhere close to the \$105 million that we thought it was, this is a sad time. It's a sad time because if you're doing your work, before the ink is dry on this contract, you should be back negotiating with the firefighters, and take Jeff up on his offer to address the real issue at hand here. The real issue at hand is to bring long term reform, so that we don't continue to cut services, so we don't continue to raise fees and we

don't continue to let hardworking city employees go and ask them to take cut after cut after cut. Sam's timing is bad but his message is correct and it's clear. And I think he is the person that is standing up and ringing the bell. I'd like to see it go away, but it's not going to go away. It's time that we face the music. He's right. Not a pleasant message to hear but let me again commend Sam for ringing the bell for the firefighters for stepping forward and now what's the plan? What happens next? What are the guiding principles to bring real solution to the reform that we need? Thank you.

>> Mayor Reed: That concludes the public testimony. We have some additional council comments and discussion. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed. Thanks for the firefighters coming to the meeting. Amongst you for those of you that are senior, you're going to see this city drastically change. You might use words like crumble. For those of you that are junior and working along your senior colleagues, you're going to have a way different career than your colleagues, your teammates. It's just the reality of the financial mess we're in. Jeff Welch outside of your title or my title I really do appreciate you as a sincere person. I also respect my fellow councilmembers expressing themselves through the memo process. This is all of our right and we should always remember that we ourselves may want to express our views via memo at any time and that's important. I remember when I was a candidate for city council and I visited local 230 just down on Santa Clara street and we covered a variety of topics but I always remember this one question, said hey how you going to help us with city management and I said you know what I'll attend the negotiation myself. And everyone in the room was really happy and they said that was a great response. However, no one informed me of the reality that labor negotiations are not open to councilmembers. And I would stress the importance of being candid with candidates during that process. I do appreciate the 10%. I didn't expect it. I assumed we'd go to arbitration. But as we know and it's been highlighted multiple times, even with 10% and you take out the vacancies and you take out the retirements, we are still going to lay off over 30 firefighters, maybe hire depends on how the mix ends up. That brings the question of the larger item in the room which is the minimum staffing requirement for fire engines. I brought up this topic at council meetings, committee meetings and budget meetings. When you look at the Lafco report on Santa Clara County fire departments, it shows San José is the only city in the county that has four on an

engine. Also looking at the Lafco report it shows we have a 25 to one ratio, on calls for service, 25 medical, one for fire. I think in the future as this council approves the ambulance contract with the county, we should keep our firefighters from responding to calls at our county jail, and no longer respond to low-priority alpha and bravo calls. Other cities in our area are able to do so, get by with three on an engine. We may want four and we may even want five however we simply cannot afford it because of minimum staffing, and the unavoidable layoffs, we will be forced to close stations and put engines out of service. I know this since I initiated the policy on mandating community outreach when fire stations are to be closed. Before this policy fire stations could be sold/closed with no notice. So like Communications Hill in District 7, which now has a closed fire station, other fire stations somewhere else in San José will need to be closed due to minimum staffing. So if this council does not want to see engines taken out of service we may need to cut elsewhere. The most likely place for those cuts the largest line item will be our police department, by laying off police officers to maintain minimum staffing for fire departments. We do not have minimum staffing as a requirement for our police to patrol our city in a police car. We don't have minimum staffing for our libraries to open to serve the public, and we don't have minimum staffing in our planning department to process an application for development. This comes down to what is the most important in our city, during these times of limited funds. For me, the answer is simple: It's police, police enforce the social contract, no one else does. The social contract allows individuals to be free from harm and intimidation. The social contract allows the weak to be protected. We cannot do everything. In fact we can't even do both for Police and Fire. So we have to choose. This contract makes the fire department the number 1 priority in the city budget by maintaining minimum staffing on fire engines. I cannot say this is my number one priority. Nor my residents' number one priority. When we provide multiple services to residents. With that said, to the 100 firefighters that are here, outside of today's issue you should know that I consistently vote against funding charities, albeit great organizations, they are not in my city charter. I vote against the Hayes mansion golf courses, million dollars on I.T. projects that have gone wrong, or advocating cost avoidance on I.T. projects that saved us \$1.5 million. I vote against \$1.3 million on golf nets, rezoning industrial land, our tax base to residential, and affordable housing which does not pay property taxes which pays for city services. I think it's wrong for me as an elected official to promise every group or specific union, when the reality is restricted resources do not allow promises to be kept. Still, I've always been candid, and I will stay that way. I cannot support the motion but I do appreciate all efforts from both sides that went into getting to an agreement. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. I just wanted to make a final comment and that's that I hope that the negotiations on the second tier pension can start immediately. I hope that that is something that we can get to the table, and make a concerted effort to diligently work on that and to bring it to fruition as quickly as possible. One of my big concerns is that with a two-year contract we will let this languish over a long period of time. And I don't believe we can afford to let it languish. And I think that the second tier savings as we know will be deferred savings. We won't feel them immediately. But the modifications that either have been proposed or will be proposed to the first tier are the opt-in nature of the second tier for first-tier members can really provide some significant savings and really that's our only hope for saving positions next year. So I do have faith new Jeff. Things have changed considerably in the last several months and I know everybody up here has mentioned that. It doesn't go unnoticed. We appreciate the change in tone. And we hope that it can continue as we move forward through this second tier and potential first-tier changes. Because it's not only important to the budget and delivery to the services but quite frankly it's really important to all of you employed now, 20 and 30 years from now, to be sure that you get a retirement check and not be like the employees of Pritchard, Alabama, who got told all of a sudden they weren't getting a check because the system wasn't solvent. So we just can't afford to let that happen.

>> Mayor Reed: I think that concludes the debate on the motion on the floor, which is to accept the staff recommendation to sign the contract with Local 230. On the motion, all in favor, opposed, two opposed: Liccardo and Oliverio opposed. That passes on a 9-2 vote. Staff, thank you for your work. Firefighters, thank you for your service and your work on this contract, we appreciate it. [applause]

>> Mayor Reed: Before we finish this item, Councilmember Pyle has a memo regarding information, I think we're going to do a referral to the staff about evaluating the second-tier retirement plan. So just take a minute here, and let Alex come back down. We have a question for Alex. Alex, on the issue, Councilmember Pyle has got a memo

asking for some additional information and report back to council. Can you just talk about the timing? I know you can't do everything at once.

>> Alex Gurza: Right.

>> Mayor Reed: Now that you have the contract over the goal line as of 15 seconds ago, what are you going to do with us next?

>> Alex Gurza: Get the other ten.

>> Mayor Reed: Ten more to go. On the second tier issue, everybody is anxious about getting the costing, getting the evaluation, when will you be able to get to the council, the evaluation, obviously when you start the second tier or first tier whatever the retirement negotiations are with the side letters you're going to have to have costed out some of these things, specifically the proposal made by local 230.

>> Alex Gurza: How that is work.

>> Mayor Reed: Can you talk to us about how that happens and when?

>> Alex Gurza: Actually during the bargaining process, for example once we get back to the table with local 230 or any bargaining unit about retirement, we're going to need to then decide, okay, do we want to cost that plan out, another plan out, which plan to we want to cost out? Because I think as we mentioned before, there are hundreds of variations that get to a certain goal. One of the things is regardless who we ask to cost it they will ask you, what is your goal? Right? To Councilmember Rocha's point about our retirement staff again, they would say what is the goal? Like for example to say a sustainable retirement benefit that means different things to different people. So once we get down to talking about the cost goal like for example the 12.4% normal cost to the second tier we could look at that and decide whether that proposal meets that. Now on that proposal for a second tier, local 230 did tell us during the negotiations that according to their actuary, that second tier cost 28% at normal

cost. So you can see from the council's direction of 12.5 to 28 it's significantly higher. So the question becomes when we get into bargaining there are actuaries that are hired by the unions in some cases and then sometimes we hire a separate actuary, not our retirement department at times and sometimes we use mayor services as well. So there will be a lot of variations that we have to decide during the bargaining process, what do we want to have sort of priced out and then we'll be clearly providing that information to the council as we move along. And you know whether it's this variation or many, many other variations, but one of the key issues the is the legal issues, because you can toss things out that may turn out to not even be possible. So for that to become how I envision it working, I wouldn't envision it happening tomorrow, because really, our priority is getting the other ten in.

>> Mayor Reed: Can we get whoever does this, the mysterious they, to cost out the proposal that local 230 has made? I mean, I have no doubt that it is nowhere near 12.4%. But that is something specific, they could cost it out and tell us what it is. It may not be a subject that helps very much in the negotiations, but at least it should be specific enough that they, whoever they are could cost it out, and what does it take to do that?

>> Alex Gurza: Again, we're privileged to have a Department of Retirement services that have actuaries in-house. We've never had that before. So in times in the past, when I'm negotiating retirement benefits, we've really had to rely on other actuaries. They can do estimates of the cost estimate of that. It really shouldn't take that long for them to do that, to say, okay, what do they think the cost is? And again, we'll see how close it is to the estimate we received. I don't think that's very hard, I don't think that would take very long to say where that second tier -- the opt-in option is a little more complicated. You then have options of how many people would do that. To estimate that cost I think they could give us an estimate of that within a couple of weeks I believe.

>> Mayor Reed: Why don't we ask them to do that?

>> Councilmember Pyle: My staff already has. And Russell said he would be more than happy to do this and he thought he could do it in a couple of weeks.

>> Alex Gurza: Couple of weeks?

>> Councilmember Pyle: Yes.

>> Mayor Reed: Well, let's make an official referral to get that done. And even though it's probably not in the right ball park, at least if they start it, and they put it on the table, so let's cost it out, and maybe that's where we begin the negotiations for -- on retirement.

>> Alex Gurza: Yeah we'll take that as a referral and be happy to report back to you once they've developed the cost.

>> Councilmember Pyle: Thank you Alex.

>> Alex Gurza: You're welcome.

>> Mayor Reed: Okay, anything else on this item? I think we're done. So, Alex, go celebrate for five or ten minutes before the next negotiations start. When is the next one scheduled, about 4:00? It's too late.

>> Alex Gurza: Actually, I don't think any more today, Aracely, the next --

>> Mayor Reed: Nothing till tomorrow?

>> Alex Gurza: We have some negotiations tomorrow.

>> Mayor Reed: Okay, take the evening off.

>> Alex Gurza: Thank you.

>> Mayor Reed: All right, we'll now move on to item 3.4, ordinances related to item 3.4, ordinances related to residence requirements, removal from office of retirement board members, appointment of nonvoting member of retirement boards, and the appointment process for members of board of administration of the Federated city employees retirement system. So both boards are involved here, and it's all out there in the agenda. It's item 3.4. City Attorney.

>> City Attorney Doyle: I just want to have a few brief comments on this. This is really coming back for cleanup from prior actions. The council back in February of last year, adopted as part of their board governance changes a number of proposals. One of them was to require that the public members reside within 15 miles -- 50 mile radius of City Hall. When we came back with the formal ordinance, council adopted, modified that to have it to be the residence or business within 50-mile radius of City Hall. Subsequently, the City Clerk brought back an application to get approved for the public board members or prospective board members, the council directed us to go back to the original intent which was have a residency requirement within 50 miles not a business or place of work within 50 miles. So this ordinance comes back with modifying the prior direction, and we are bringing back a proposal that would require that public members reside within 50-mile radius from San José City Hall and take out the place of work or place of business. Secondly, as part of that same memo, this is the memo that was moved by council and signed by the mayor and councilmembers Constant, Liccardo, Kalra and Herrera. The direction was to add a city council liaison as a non-voting member to each of the retirement boards. We really didn't do anything to modify the ordinance. We just assumed that it would be the council liaison role, the nonvoting member we've been told is intended to be a little bit more involved and that the nonvoting member is allowed to participate. Not as a future, not for purposes of a quorum, not to be a participant in closed session or any disability retirement, or leave out quasi-adjudicatory matters, but just on the agenda items, and to get the packed and at least engage in the conversation. So that is what is before you. There is some question as to whether or not it needs to be sent to the retirement boards first for -- as a referral. It's on your agenda as either approving them or to referring them. This is something that council has already directed us to do once before. That's why we're coming back. The other issues is that these amendments are to title 2. The retirement plan is in title 3 of the municipal code. These are changes to the title 2, which is the council, boards and commissions generally, and specifically

with respect to retirement, in this case. So it really isn't a retirement plan amendment. We're here to answer any questions and with that, I'll just leave it.

>> Mayor Reed: Thank you, City Attorney. I'd like to speak to the item about the council liaison as a nonvoting member of the retirement boards. I know that maybe not everybody was here for all of the discussion and argument and debate and negotiations over modifying the retirement boards but we do have a memo signed by myself, Councilmember Constant, Liccardo and Herrera with a series of recommendations which were approved by the council last year, little over a year ago. And one of the specific bullet items on page 2 with its own line, line D is to add a city council liaison as a nonvoting member to each of the retirement boards. Very clear, as part of what we negotiated, part of what everybody agreed to. And what we're doing here today is implementing that council direction. I don't think we'd be doing this, wouldn't even have to amend the ordinance, if the chair of the Police and Fire retirement board had been a little more cooperative. And the reason we're having to put this so specifically in the ordinance is that he's been very disrespectful of the council direction. There's no doubt that the council wants to have a nonvoting member of the retirement boards. Why? Because it is the largest single cost increase that we're facing. It's coming out of retirement. We're all very concerned. We wanted to have somebody there who would then make sure that council stayed informed and engaged on retirement issues. We have a standing item on our agenda for a report from that person, and that person, whoever that is, at this point it's Councilmember Constant, whoever that person is, needs to be engaged, get the packets, be able to participate in discussion, be able to be trained so they understand what's going on, and that's why we created this. So I'm concerned that we're having to do this. But let's just put it in writing, put it in the ordinance, that way there's no reason for anybody to assume that we didn't mean what we said when the council approved this. So Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Are the first part of this is pretty clear to me, that we had a clerical error basically and we're correcting a clerical error in terms of the 50-mile radius for a member coming onto the board, and so that seems pretty, you know, pretty obvious. The lee question of liaison, I'm wondering are we going to hear from the public on this?

>> Mayor Reed: I have three or four cards of people that want to speak.

>> Councilmember Herrera: I think I would like to bifurcate this on the clerical portion of that to make a motion to accept the change and to correct the record, correct the ordinance on the clerical omission for the 50-mile radius, so it should read 50 miles from where the individual lives. And that's what it was supposed to be and it was an error. So because the other part I'd like to understand more what the issue is on the that liaison so if can I get a second on that.

>> Mayor Reed: Let me just make sure we have two recommendations, A and B, I believe the 50 mile radius is in the B section.

>> Councilmember Herrera: I guess I'm moving B first.

>> Mayor Reed: Motion is to approve that one.

>> Second.

>> Mayor Reed: Okay, City Attorney is that --

>> City Attorney Doyle: Yeah, I think they're amending both plans but the issue is on the 50-mile radius the one thing I want to be clear of, there's currently a member of the public, a public member who was recently appointed who does not or at least did not at the time of appointment meet the 50-mile residency requirement and we're proposing to grandfather him in.

>> Councilmember Herrera: Yes, I'm contemplating that, that you would keep him, yes.

>> Mayor Reed: All right so that's a motion, further comments or questions on the motion? All right. I do have some requests to speak. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. There were two clerical errors. Because the council memorandum is very clear, and those of us who worked on the memo know that that was part of the original thought process and it is very clear. Let's just say what's not being stated, and this has nothing to do with whether it's a councilmember who sits on the board. It's clearly a personal attack. All you need to do is read the article, or the letter that came from the association of retired police officers and firefighters and it's very specific that they don't want me to be participating. They're very good in pointing out a lot of things other than the fact that I'm a dues paying member of their association. There's a lot of supposition on what they think I might be thinking or not thinking. They probably would like to think what I'm thinking or know what I'm thinking a lot of times but they're nowhere close. The Federated board has been very open for the entire time since the changeover of the board structure, to allow the discussion and the input from the councilmember who's there. And they understand the clear direction. I know we have two letters from the retirement boards. From the chairs of both retirement boards and I can tell you I sat through both of those meetings and I don't believe either board gave official direction for their chairs to write letters to the council which is usually the way those letters come across to us. Because the board chairs can only speak at the direction of their boards. There is no doubt as the mayor said that our pension systems are not only our biggest issue now, but our largest liability going forward. It is an issue that does take significant amount of attention. If it's simply that they don't want me on the board then they should just address that and ask the mayor to appoint somebody else to the board. But the fact of the matter is, our pension systems are very important. And the problems that our city is experiencing due to our pension systems, and the economic environment, and the assumption rates that are being selected, those are directly, directly affecting our service levels to our residents, our budget, and we know that not only will our pension contributions be increasing to the \$400 million a year, as was stated, in several reports, but most likely nearing \$1 billion a year by the year 2029 or 2030. What has happened a lot lately, particularly from the association of retired police and firefighters and the San José Police Officers Association, is just simply resorting to personal attacks. One needs only to read the latest edition of the vanguard to see how personal attacks go directly at the mayor or me or other specific people. Things don't even have to be true, you can just make something up and put it in print, because instead of confronting the issues that face our city and the issues that we must deal with, they become personal attacks on the people instead of the policies. Now, the council can decide today collectively to do whatever the council feels

is appropriate. But I think it's important to remind this council that the vote was unanimous to follow the recommendations in the memorandum that you can see in your packet. It was not that this is some game-changer that we've decided just to veer off in another direction. It was a very clear direction in the memorandum, and it was a very vote by the city council. With that in mind I would like to make a substitute motion to approve the changes to the ordinance in all of the areas that are outlined in the memorandum from the City Attorney.

>> Second.

>> Mayor Reed: All right we have a substitute motion, I think the second came from Councilmember Oliverio. All right. Substitute motion is to approve the ordinance changes in both items. Councilmember Rocha.

>> Councilmember Rocha: I don't have any interest in talking about the substitute motion, it's more the original so I can wait for my comments until we deal with the substitute if you like.

>> Mayor Reed: Well you might as well make them now because the substitute motion includes the original motion. It's just really a question of A and B. So --

>> Councilmember Rocha: Okay.

>> Mayor Reed: Either way you may as well talk about them now.

>> Councilmember Rocha: Fair enough. In terms of directing my questions about the process and items specific in this recommendation, am I making them to the City Attorney or is there another representative?

>> Mayor Reed: I think probably the City Attorney.

>> Councilmember Rocha: Okay, thank you for clarifying how we got to this point. That helps me because a number of my questions were going to be about that. But it just honestly leads me to more questions to if this was

clear, then why do we have the retirement boards questioning what that liaison definition means? To me, there was a -- being on the outside and watching this from the sidelines last year there was major issues with this, major discussions and I got the impression that there was consensus upon the result of removing councilmembers from the retirement board, having a liaison. And looking at the definition of a liaison, to me it's pretty clear that it's not -- I'm not going to go through this and read this. But again Rick I'm not sure there's a real question in there but why the confusion now?

>> City Attorney Doyle: The question is, the role of the city council liaison. And if we went back to the memo the memo does state add a council liaison as a nonvoting member of the retirement boards and not just a liaison. It suggests something more but we just didn't pick it up. We didn't do anything to change the ordinance.

>> Councilmember Rocha: Can you repeat that? It says liaison but --

>> City Attorney Doyle: The direction from the memo which was adopted by memo is add a city council liaison as a nonvoting member to each of the retirement boards. So it suggests something more than just adding a liaison because you would automatically add a liaison on a normal basis, annually, you would either -- what you would to is add a council liaison, and you would follow the liaison policy. When you put it as a nonvoting member, at least suggests there's a greater role at least that the councilmember may participate. As I stated, the tradition role of the liaison is a nonparticipating member, always nonvoting, but a nonparticipating member. In this case the desire is to have a greater role, and engage in the dialogue or the debate on items that are non-adjudicatory. So we're coming back with that clarification in the ordinance. Again it's up to the council to make the decision, but that's -- these are, as I stated, it's in our view cleanup measures to address the two concerns.

>> Councilmember Rocha: The nonvoting member is the key that you're talking about, it seems that we knew we meant more but clearly looking at the correspondence I'm getting, they had no impression that that was the case, and they sure as heck don't prefer that to be the case.

>> City Attorney Doyle: I think it's up to the council to sort that out. It is in the end the council's call as to what role they want the council representatives to be.

>> Councilmember Rocha: Again going back to the process, the letter's clearly stating that referring this to the board for their discussion and direction or input, unless of course there is an urgency issue, would be an -- I guess you could say an acceptable outcome for them at least in terms of the action today. Do you have any comments on that?

>> City Attorney Doyle: They -- the council can do that as a courtesy. We don't believe it's legally required. The section at the site aren't triggered in our view. These are changes to title 2, not title 3. This is coming back with prior council action. But again, the item is agendized as either approval or referral, the council has the option.

>> Councilmember Rocha: Whether or not it's legally required we've got a group of folks who are volunteers helping the city and they're asking for the opportunity to weigh in. To me I don't see any urgency in moving on this, or not allowing them to do that, unless of course there is an urgency issue.

>> Mayor Reed: I think there is an urgency. At the Police and Fire boards if they're not going to let our representative participate, that's a problem for us collectively. And the way that council, our representative has been treated is disrespectful to not just the councilmember but to us. And as I said we wouldn't be having this problem if they had been more cooperative like the Federated board and I don't know how long this might take to refer out and think but we are facing hundreds of millions of dollars if not billions of dollars of decisions and I want to have somebody there that's representing us so that we understand it and hear this back quickly so that we're just aware of what's going on. And it can't just sit there. You need to be able to participate and ask the questions and be able, afforded the respect to allow to be asking questions. And I think we need that and we need that and we can't wait for months. I don't think. So I think there is an urgency here and wouldn't be necessary but it is.

>> Councilmember Rocha: Thank you. I still more comfortable honoring requests from whether it was this commission or another commission, retirement board, whatever the case may be if they're asking for the opportunity. I'd like to honor it. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I signed this memo, and was not part of the -- I know there was a negotiation that went on between folks, either open staff or council and several members from the retirement board or from the bargaining units. And I'm not sure exactly who was there and who wasn't but I was hoping I could clarify one issue because I frankly wasn't that clear about the specifics on this issue. I went back and read the memo. I agree it's very clear what the council voted on which was not just adding council liaison but adding council liaison as a nonvoting member to each of the retirement boards. The question I had was, is this the document that sort of formed the basis for the meeting of the minds? In other words, were the negotiating teams sitting down looking at this document, or is there some other document they were looking at that would help me, I think and all of us, understand exactly what was going through everyone's mind when they were sitting down discussing this issue?

>> Mayor Reed: I'm not that familiar with all the documents but this was the document that was in front of the city council when people came down and supported the motion.

>> Councilmember Liccardo: Right.

>> Mayor Reed: This was the motion and this was supported by the people who came down to testify. I don't think there was any opposition to this.

>> Councilmember Liccardo: Right, no I do agree with this. My understanding is that there was sailing through because we'd had a negotiated outcome. My question was, is there something other document out there that reflects exactly what people agreed to or was this it?

>> Mayor Reed: I think it is it. This is the only one I've ever seen.

>> Councilmember Liccardo: Okay, if this is the one we have then this is the one I voted on it seems to me it's clear.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: My motion to bifurcate this wasn't necessarily to disagree that we should have a liaison position. I'm not sort of retracting what I supported in the memo that I co-signed. I'm just concerned, I just wanted to have a separate discussion about that. I feel like everybody's pretty much in agreement on you know correcting the clerical error but there seems to be -- I'm just surprised, I was surprised that the whole liaison issue came up. I just want to be fully informed, I think there might be public testimony that wants to come forward and I just want to be fully informed as we make that decision so that's the reason I'm separating the two.

>> Mayor Reed: There will be public testimony. Councilmember Pyle.

>> Councilmember Pyle: I'll wait for the testimony.

>> Mayor Reed: We'll come back to you. Take the public testimony now. We have three people that want to speak, Jeff Welch, Jay Wendling and Jeff Beatty.

>> Good afternoon again. I wasn't directly involved with the conversations when this whole revamping of the retirement boards came up. And I know there's a lot of confusion on and some -- a lot of details that go into what was discussed and how it was discussed and whether or not there were negotiations, and what occurred, and that's why we have a meet-and-confer demand over the change in the ordinance. The city -- the OER has said they don't consider it a meet-and-confer item and that's yet to be resolved. If I could just really ramble through some notes of what I think was the process of how it all went down, maybe give you guys a little bit more clarity of

what happened in 2009 from our perspective, at least. So as you recall, the city had a consultant, Cortex applied research, do some research on the retirement boards back in September of 2009. They included that the old retirement model had some noteworthy weaknesses. The primary one was that, and I quote, it does not ensure that the retirement board will be free of significant conflicts of interest and is able to freely focus on the administration of the systems in the best interest of the members and beneficiaries. The report further pointed out that the significant conflict of interest may undermine the long term health of the success of the retirement systems, and that's primarily what the retirement board and the trustees are there to do is to monitor the long term health of the retirement plan to ensure its sustainability and not be concerned about city services that it can provide based on the costs. But the agreement was to completely revamp the retirement Police and Fire retirement board removing any political influence representing any conflict of interest and installing the industry's outside experts that can maximize the plan results for the best interests of those member and its beneficiaries. Agreed that the approval of existing city council members from the board left the council without a means to officially monitor to the board's situation and effectively and receive communication back to the board. And so then we readily agreed that the city council members should be appointed as liaison to the board. We did this with the specific understanding of the liaison role and the term liaison as it's defined by the city council's own rules and the city municipal code and previous ordinance and the city council's code of conduct. And that is as liaison is someone who is present during board meetings and reports back to the city council to ensure the council is apprised of the board's undertaking. Your rules explicitly state the council liaison is not to influence the board, it is not to give direction or influence the decision of that commission, or board that they serve on and there's many liaisons throughout the city. There's one on the Planning Commission, retirement boards, they are to listen attentively and unless asked, report back to council. Thus, we agreed to this role of the liaison, and we agreed to that with trust, and that agreement was reached through a bargaining process. Whether it was official bargaining or not and whether it was official meet-and-confer or not I don't know because I wasn't part of it but there was definitely discussions that went on between the bargaining units and city staff to come to this kind of resolution to revamp the retirement board. So we think that there needs more discussion on this and at least a deferral of part B to support Councilmember Herrera's motion in how -- how does the liaison interact with the board and what interactions should those be.

>> Mayor Reed: Jay Wendling and then George Beatty.

>> Good afternoon, honorable Mayor Reed and the city council and city staff. I'm here representing the retired Police and Fire, and I was around during the Cortex hearings. And I wanted to thank all of you for realizing that there were some problems with the retirement boards at least on the Police and Fire side, that I know of. And your willingness to take the time to look into the matter and get it resolved to the best of your abilities, best of our abilities and the best of the city budgets. I'm here to ask you to vote against this measure simply because the whole idea behind Cortex was, the board should remain independent of the city council. Independent. When you have a city council member take a board member out into the hallway during a retirement board hearing, regardless of what was said, if anything was said, that gives the look of impropriety. So when you wanted independence, it would be a good thing when you put down that the councilmember will not try to sway the retirement board one way or the other, that was a good thing. So again, I would ask you to turn down this motion.

>> Mayor Reed: George Beatty.

>> George Beatty San José Police Officers Association. I think Jeff Welch and Jay Wendling gave you a little bit of background on airport process with regards to council liaison representative to the Police and Fire retirement board. I'm here to speak out in opposition to the council looking to change that ordinance. As you know, last year we did agree with Police and Fire retirees and local 230 to the changes and the makeup of the retirement boards and one of the considerations we had when making that decision was the fact that the council liaison was a nonparticipatory representative, i.e. they observe and report back. Now today, after the ink has dried, it appears that the council wants to change the role of the council liaison officer to a participatory representation. Whole 180 degrees from what it was intended to be. You know, there is no doubt in my mind that a councilmember can influence the people on the board. Especially when they have the ability to make recommendations, to disagree, and to review facts. Certainly, it is our opinion that this stacks the deck against the Police and Fire retiree representatives. Like Jay said it should have been -- there should be no influence whatsoever. I've heard thrown out here today flip flopping, going back on our word, our honor is at stake. We look at this as you going back on your agreement. Plain and simple. And it's for the men and women of the San José Police Officers Association it

just makes it that much more difficult for us to enter into future agreements with the city not wondering what back channel they may take to supersede the agreements that we agreed to. Appreciate your time, and I ask that you vote against it. Thank you.

>> Mayor Reed: Okay, that concludes the public testimony. I want to take the council back to the council agenda, February 9th, 2010. Item 3.2, I'm reading from a memorandum, signed by myself, Councilmember Constant, Councilmember Kalra, Councilmember Liccardo, and Councilmember Herrera, which was approved by the council with full support from the people in this room. That says: Add a city council liaison as a nonvoting member to each of the retirement boards. That's what people supported, that's what we approved, that was what I supported. That's what I approved. So the idea that the council liaison would be a nonparticipatory sit and listen only is just not what we approved. That's not what the deal was negotiated, that's not what the council approved. What we approved was having a nonvoting member of each of the retirement boards. Simply, very clearly, it's not hidden in here it's just in the memo and that is what was approved and that's what we should implement for the reasons that I've already stated. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. We heard a lot of testimony about history. But I'll tell you a lot of it has been revisionary history. Because three organizations spoke and all three organizations opposed the Cortex report and said that it was full of BS and that we shouldn't go forward with the Cortex report. There was a meeting where Jay Wendling sat in my office and we went through the Cortex report and the recommendations. And talked about how we could find a resolution that would meet the interests of both parties. And that's how we got to the 3-3-1 and the 4-4-1 representation on the boards where almost half was appointed by employees of retirees, almost half, an equal amount was appointed by the city council, and then one person was appointed by the board itself from the pool of candidates. In fact, I gave Jay a copy of the memorandum. He wrote, in his billion spanner, which is the retiree newsletter, in his language, specifically crediting me for brokering the deal to get this settled. And I might tell you, as one of the primary authors of this memorandum, I can tell you that the language of the memorandum didn't just come up willy-nilly. It was talked about quite at length, and it was with the rules that are quoted in this memo about council policy, it was with those rules in mind that specific language was put in there, so that there would not be a disagreement on what a liaison

would or would not do. We heard that this is some back-channel change, bait and switch, flip-flop. Yet as the mayor has clearly pointed out, and each of you have in front of you, it was as plain as day written in English separated in its own bullet that this is what we were voting on. It was something that people had an opportunity to opine on before the memo was written. After the memo was written, at the Rules Committee meeting, at the council meeting. It was nothing that was just sprung upon people. We heard Councilmember Rocha who stated that we should honor the requests of the board. I might remind you that neither board took action to give direction to their chairs to write a request to us. But I also must point out, I think it's also important for us to honor the intent of the council, and the vote of the council which I'll remind you was unanimous. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Just I wanted to ask the question, a slightly different way. First Pete, quick question. Were you in on the negotiations?

>> Councilmember Constant: Yes, as I mentioned I was sitting in my office with Jay Wendling.

>> Councilmember Liccardo: Right. Was this document, was a draft of this document being shown to various representatives of retirees or the board?

>> Councilmember Constant: Not at that time, because we didn't -- we were working on the details. But I did provide this memorandum to Jay Wendling specifically. I don't recall if I gave it to the other parties.

>> Councilmember Liccardo: Okay, all right. I guess I don't know if George Beatty if you were involved or not. But my big concern is whether or not this represents the meeting of the minds. If this is the only document we got then that's what we have to vote on seems to me. If people imagined someone scrolled out a different agreement it would be helpful to have that. So far I haven't seen it and that is what we have. George if you were part of this, I'd be interested in whatever views you have about what else was passed back and forth, this is just so we understand what people agreed to. Because otherwise, this is what we've got.

>> Mayor Reed: I'm sorry George. If you're going to talk you need to come down to the podium. Otherwise it won't get picked up for the public.

>> Councilmember Liccardo I was not directly involved in the process.

>> Councilmember Liccardo: Sorry, my mistake.

>> That's okay.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. Rick, I want to know if speakers are to be within the definition of liaison, given that a lot of us are liaisons to different commissions, myself on commissions and others, as well, and so it seems like -- I've served on the Federated board with Pete, so I can understand why -- why there's some trepidation -- I'm just kidding, Pete. But anyway, there seems to be confusion as to what liaison is. Right now, as Councilmember Liccardo indicated, we have this one statement here, under B, add a city councilmember liaison as a nonvoting member to each retirement board that is the motion that was put forth by five of us. And there's no -- in looking at the background there's no further elaboration on that. And pretty -- liaison is a defined title in -- if liaison is a defined title, that seems to be -- at this time what seems to be confusion as to the responsibility, I mean is there any elaboration you can give?

>> City Attorney Doyle: There's -- council does have a policy on liaison, the policy 0-36. Essentially, the role of traditional liaison is nonparticipatory. When you go to meetings you're not supposed to participate in any way to influence the board, and that's why this role is seen as different. That you would engage in debates and engage in the discussion.

>> Councilmember Kalra: And I think that that's where I think that the potential confusion as far as Councilmember Liccardo is indicating a meeting of the minds, a potential confusion could arise, you have that one definition and here, it seems so general that doesn't necessarily conflict with that definition, it's just as a nonvoting member of these retirement boards. Now that being said in looking at the draft, is it correct, is this the correct final version of the draft I have before me where in discussing the liaison's role, it has the traditional role in the first portion is under 2.08.160 page 5 under council liaison representative, the first portion of B has the traditional role of all liaisons, basically to advise the council, you know, if necessary, on any decisions or recommendations from boards or commissions, and then it goes on to say and on request that a member of the board or commission could advise the commission of policies and decisions that council and may be on matters under discussion by the port or commission. So further clarification certainly indicates that there has to be a request of the member of the board in order for the council liaison to engage whether it be the Federated or Police and Fire?

>> City Attorney Doyle: That existing position yes as to the tradition liaison role to other boards and commissions, yes.

>> Councilmember Kalra: So that's consistent with other liaison --

>> City Attorney Doyle: Yes as modified or amplified essentially by the council policy which is again a nonparticipatory role.

>> Councilmember Kalra: So the liaison role as it applies to other commissions is essentially further defined here, it's consistent with other, with the role of liaison to other commissions in terms of how it's defined here on request of any member of the board or commission to advise the commission or policy?

>> City Attorney Doyle: Right, but again that's why we're coming back to -- this is seen as a greater role than just a mere liaison. So -- but again ultimately it's the council's call as to what it wants its liaison to these boards to do.

>> Councilmember Kalra: My question is, if what's before us today, is that -- is that version of the draft, just want to make sure I have the right version of the draft.

>> City Attorney Doyle: You're looking at section 2.08.170 is the --

>> Councilmember Kalra: 160.

>> City Attorney Doyle: 160 is the traditional liaison role, and then 70 it would be then the carve-out for the liaison role for the retirement boards.

>> Councilmember Kalra: Got it okay. So that is the distinction that didn't previously exist, in other words, the one 60 is one that --

>> City Attorney Doyle: 160 is been there and we didn't add 170 and that's what we're coming back with.

>> Councilmember Kalra: Okay, and right now is the motion, is Councilmember Herrera's motion on the table right now?

>> Mayor Reed: No, the motion on the table is to approve all of the recommendations from the staff.

>> Councilmember Kalra: Got it. And okay, let's wait to see what happens with that, thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: I'll wait until after the vote on this.

>> Mayor Reed: Let me just check. I know that at least earlier Councilmember Campos's light wasn't working. Are you operational now? Okay, well, we have a motion on the floor to approve all of the

recommendations. That is the substitute motion made by Councilmember Constant. I see no other requests to speak. So on the motion all in favor, opposed, opposed, Kalra, Chu, Campos. Pyle. Herrera and Rocha. So that's six opposed I believe is that the count, City Clerk? All right. I see three over here and three over there. Comes to six. Six opposed so that motion fails on a 5-6 vote. Taking us back to the original motion by Councilmember Herrera which I think we need some clarification of what you're trying to carve out.

>> City Attorney Doyle: I want to add I understood the motion to be not bifurcation of A and B in the agenda but B being the liaison role. Because B in the agenda is residency issue.

>> Councilmember Herrera: And it seems to be the residency, I don't even see the liaison actually being --

>> City Attorney Doyle: One is Police and Fire. The liaison is part of A. So you want to bifurcate --

>> Councilmember Herrera: I was just trying to take liaison out and have that as a separate vote and figure out what we need to do with that, because I think it's clear no one that came to speak or any of us are opposed to fixing the clerical error. So let's just get that one out of the way.

>> Mayor Reed: Let me try to restate the motion. It is to approve all the recommendations except for the changes relating to the roll of the council liaison.

>> Councilmember Herrera: That's right.

>> Mayor Reed: Because there's multiple recommendations and multiple things going on.

>> Councilmember Herrera: Right.

>> Mayor Reed: I don't know who had the second on your motion. Okay, Councilmember Liccardo. So we have a motion on the floor, on this motion? Councilmember Kalra.

>> Councilmember Kalra: On this, no, no comment open this one.

>> Mayor Reed: All right so the motion is to approve everything except with regard to the liaison changes. And we'll come back to that. On that motion, all in favor? Opposed? I see none in opposition so all of those changes except for the role of the council liaison are approved. Now back to the council liaison, that's in front of us. Councilmember Herrera did you want to make a separate motion on that?

>> Councilmember Herrera: I guess I want to make a comment and I'm not sure. I might make a motion but, it seems that in our original memo we talked about a council liaison as a nonvoting member and we didn't really elaborate a lot on exactly what that would -- what the role would be. And it seems like you know and I want to, you know, thank Councilmember Constant for serving as a liaison because Councilmember Liccardo and I and Councilmember Kalra well know all the hours that you put in that we each put in to the individual boards we were working on and now you're covering both boards so it's a lot of hours and a lot of work. I'm sure we're very appreciative with it. It seems like it's going well with the Federated board. I'm just making an observation here, somehow on the Police and Fire there's an issue. I frankly don't know if it's policy here or if it is personality. I'm just surprised that this level of concern has come to us on this particular issue. So you know, I think I would -- I think I would like -- I do think we need the liaison. I think that's a very important role and we are all in agreement with it and even though I wasn't a formal part of a negotiation team, I certainly did speak with people in the bargaining units about these issues in the 50-mile radius for members was discussed, we discussed it and also the need for the liaison and acceptance of the liaison. So, you know, I -- I'm not even certain that it's the language in here that's a concern. It's appropriate to get the input from the board. I think we could do that relatively quickly and I guess would I ask for some suggestions from council or I guess we don't have retirement staff here how quickly could we get some feedback from the retirement board on the liaison role?

>> City Attorney Doyle: The next meeting of the retirement board is first week in -- well, first two weeks of April. I don't know if it's too late to get it on the agenda. But if we could work with the retirement staff to get that on the agendas. And get comment back. Until then, the role would be I think inclusive.

>> Councilmember Herrera: I think the role -- I think minimum we've already approved that there is a liaison. Liaison would attend the meeting. So I think that's already been approved. I think that's the additional language that we're talking about.

>> Mayor Reed: Council has already approved a nonvoting member.

>> Councilmember Herrera: Right, nonvoting member but there seems to be some concern about the additional participation. In terms of the additional language and I think Councilmember Kalra wants -- is wanting to add something to it. I'm going to hold off on a motion. I want to hear my colleagues.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Can we defer this a couple of weeks? I think some additional conversation would do some good. We've obviously hit a lull here. I recognize there's something we all voted on and something we believe all agreed upon. Can we have a couple of weeks have some conversation and see if we can figure this out, the motion would be to defer, what would that be, three weeks?

>> Mayor Reed: We miss a meeting sometime coming up.

>> City Attorney Doyle: April -- the 29th --

>> Mayor Reed: The 5th and the 12th.

>> Councilmember Liccardo: 5th and the 12th. Does that get us past the retirement board meeting?

>> Yes, I think so.

>> Councilmember Liccardo: Okay, reply motion would be to defer it to the 12th. Past --

>> Mayor Reed: City Clerk dates?

>> Dennis Hawkins: The Police and Fire meets on the first Thursday of the month, if my calendar's right is the sixth. And the following meeting the Federated retirement board meets which I believe is the 13th.

>> Mayor Reed: We'll push that off to the following week that would be the 19th.

>> Dennis Hawkins: Sounds right. Sounds right.

>> Councilmember Liccardo: I didn't do well in math, so I went to law school. If someone wants to correct me on that, otherwise the motion is for the 19th.

>> Mayor Reed: We're just going to check the date.

>> Dennis Hawkins: I was just advised the Federated board is moving their meeting to the third Thursday of the month so now it would be the first and the third. So if the council gave that direction to wait for both boards then it would need to be moved back to the 26th. April 26th.

>> Councilmember Liccardo: That would be my motion.

>> Mayor Reed: So the motion and we have a second I think from Councilmember Herrera. The motion is to defer this discussion, and action, till April 26th.

>> Dennis Hawkins: Mr. Mayor if I could ask a question.

>> Mayor Reed: City Clerk.

>> Dennis Hawkins: So we could make sure we get the motion, does that include deferral to the boards or does that just defer the item to April 26th?

>> Councilmember Liccardo: That would include deferral to the boards.

>> Dennis Hawkins: Thank you.

>> Mayor Reed: So that is the motion on the floor here. Councilmember Constant.

>> Councilmember Constant: I think it's really important that we get this right. So if we're going to defer this, it should be deferred so that the Police & Fire Board hears it after their board is fully seated, because they're missing one board member, and it's the independent board member which I think would be an important thing. So I would ask for that modification to the motion and then I'll address it.

>> Councilmember Liccardo: That's fine. I assume that individual will be seated imminently.

>> Councilmember Constant: Well they're being interviewed I believe on April 6th or 7th or something like that, so they won't be seated until the May meeting. So it would be the second week in May that this would then be addressed.

>> Councilmember Liccardo: Okay, we'll punt it into budget seen, see how it comes out.

>> Councilmember Constant: That's not necessarily my recommendation that we do this obviously. I also want to point out that this can be compared to other liaison roles as we have. We have some like the sports authority we talked about earlier today where we are board members. We have some like the old con-vis bureau where we were board members. And the old Team San José model where it is a liaison role. The Team San José board has approached that and encourages and requests that I fully participate in their board meetings. And I should remind

the council that that type of involvement was instrumental in all the changes that happened at Team San José, will changes in the board governance, much like we went through with our retirement boards, and the issue of the selection and placement of CEO and other issues like that, where the board liaison is specifically asked to participate, because of the amount of impact it has to the city and the General Fund. And I think that is one of the things that makes this particular issue so important. And I think it's more important that we get the role right than who's in that role. And if it's simply that they hate me, which I appreciate, that's fine, they spend enough ink telling everybody, that's clear, then just put another councilmember on the board. But make the -- and I recommend Don Rocha. [Laughter]

>> Councilmember Constant: But get the role right. And then, if it's the issue, that it's me, I'm a grown man, I can deal with the fact they hate me. I don't care. Put someone in there that can give it the attention so that the City's interests are protected.

>> Councilmember Liccardo: Mayor, can I respond? I sensed that was a request of the maker of the motion.

>> Mayor Reed: Okay, we'll treat it as a request of the maker of the motion.

>> Councilmember Liccardo: I sense we are pretty close, obviously it would be nice to have the input of the boards. I don't have a particular preference for what dates. But if it takes until May, then we're happy to defer it until May. I agree with Councilmember Constant, there appears to be an issue of personalities or whatever. If that's what it takes, as long as we can get the role right, that's fine. I simply think we've hit an impasse here and we need to try to work around it.

>> Mayor Reed: Your motion is to defer this discussion decision to the middle of May.

>> Councilmember Liccardo: Yes. If there's obviously a resolution before that, we can accelerate it through the Rules Committee.

>> Mayor Reed: Okay, that's the motion. On the motion, Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor and I agree with the discussion that I mean ultimately it's like getting the role right rather than being the concerned about the net role because the policy you put in place today is likely to be there long after we're off the council. I think the policy is important but I do also think it's important that in the discussion in the meeting of the minds there's some understanding of what exactly that role is. And so I wasn't going to object initially 60 days, looks like we're practically there at this point anyway, and enough time for the board to get their feedback in. I think it's appropriate that the board, whether they can agree or not, at least we get feedback on what their thoughts are on the role, and we can go forward from there. But this is something that, you know, delaying it a few weeks -- this is going to be something that is in place for a very long time. I think it's real important that we get it right. We've got 99% of it right so far. Let's finish the last little part of it and move on. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: I agree with that thinking but I'm wondering what do they do during that time period? Talk, come up with suggestions, come up with a vote as to what they want as a whole? I don't know where --

>> Mayor Reed: That would be up to them.

>> Councilmember Pyle: Okay.

>> Mayor Reed: We're opening a window of opportunity.

>> Councilmember Pyle: And we're hoping all the birds don't fly in. Thank you.

>> Mayor Reed: All right on this motion, all in favor? Opposed? None opposed, that's approved. We'll take this up in May unless things happen sooner. We have a few more things to do here. We'll move to item 4.1, hearing on draft consolidated plan, annual action plan for 11-12. We have a motion to approve. This is part of a federal mandated process, I got to make sure we're doing everything we have to do as part of meeting our federal requirements. So this is a federally mandated document and this is a public review period that we open today for the draft consolidated plan. We'll continue the hearing ultimately to the final approval of the plan on May 3rd, 2011. But we will take testimony today if there's anybody here today who wishes to speak to it. I have one card at this time, that would be David Wall.

>> David Wall: The requirement that you reference, Mr. Mayor, is stated clearly in today's agenda. It's in order to receive federal housing and community development funding. If I were you, I wouldn't accept any more or apply for any more of these grants. For one, they carry obligations. Two, they're not sustainable. Three, we've just discussed the possibility of laying off firefighters and police officers. Hundreds of city employees, you do not have staff to maintain the services for more people that can't afford to live here in the first place. Now, it's your overburdened heart of charity is what got you into this problem with your unfunded liabilities. I would suggest that you cease and desist for taking any more federal grants or money for public housing, considering congress is about ready to shut the doors on this money anyway. And you've got to send the message to the federal government, San José can't take care of the people it has now on subsistence. They can't take anymore. Thank you.

>> Mayor Reed: Anybody else who wishes to speak on this plan? The comment period is just opening. We won't close it until May 3rd when we'll approve a final version of the plan. So anybody who wishes to comment can certainly do it in writing, e-mail, snail-mail, however you want send them in or you can come back to the public hearings. Since there are no other people who wish to speak, do we need a motion to defer this to May 3rd? Nope, we don't need a motion, that's just when we're taking it up. So comment period is now open. We'll now move to item 4.3, a hearing on the real property at the southwest corner of South Bascom avenue and Maywood avenue. No requests from the public to speak on the item. All in favor, opposed, none opposed, that's approved. Item 6.1, car share program.

>> Ed Shikada: Mr. Mayor, members of the council, perhaps I could provide a little bit of context on this item that came to the council from the transportation and environment committee. Hans will provide a brief overview on the topic of the car share. In hindsight perhaps just a way of providing a bit of that context is we've got the Green Vision annual report that will come immediately after this. Again, in hindsight perhaps we should have flipped the order, in that this particular item on the car share program is one of the elements that's perhaps a good example of opportunities to advance public-private partnerships, alternative fuel vehicles and really as Councilmember Liccardo had indicated in his memo, opportunity to advance the sustainable general plan. So with that background, I think with Hans, provide a bit of an overview open this item. Hmm Mr. Mayor, members of the council given the late hour I was just going to add, we have a brief presentation but we can pass on that. This is an item that we've discussed several times with the transportation and environment committee. The recommendation before you is a referral from that committee. There's an additional memo from Councilmember Liccardo. Staff concurs with those refinements to the direction and be happy to take any questions.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor just wanted to make a motion to approve the staff recommendation along with the memorandum dated March 18th with gratitude to Hans and Laura and their team.

>> Councilmember Herrera: Second.

>> Mayor Reed: All right we have a motion on the floor. Have some requests from the public to speak. I'll take that now, David Wall.

>> David Wall: This particular program should be really entitled, the road to utopia. What it fails to really address is that it's a hidden Mulligan for developers not directly but parking, to these accursed, high density living projects. Let me repeat: Accursed, high density living projects. I've got two of these high density living projects that are basically slums. And the lack of parking that has been integrated into the building plans and what have

you, city programs have resulted from numerous cars permanently parked on the street. Parking compliance is not effective in this regard. You are only exacerbating the municipal regional storm drain permit program, and I believe in this time of shrinking budgets deficits that we just had the entire afternoon spent with, you do not need additional burdens to your transportation department. This program is just folly and this Green Vision has gotten to be so out of hand, Mr. Mayor, that it's almost laughable. If it wasn't for the fact you spent so much money pursuing this and you're not getting money back into the taxpayers' revenues by doing so, this is just a dumb program on its face. It will go nowhere. It will only exacerbate parking on the streets and blight. Thank you.

>> Mayor Reed: That concludes the public testimony. We have a motion on the floor. Councilmember Liccardo did you have anything to add to the motion? Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. I think this is a great idea. It certainly needs to be approached differently than some other cities because we have a much smaller core, and our density is going to be challenging to figure out the placement of the vehicles. I know in San Francisco, I have a friend that uses the car probably every two or three weeks. At the same time, the density and the bus system and getting to your work here it offers challenges. There might be opportunities at maybe CalTrain stations or areas of higher density and of course the companies where we can place them because I agree with Councilmember Liccardo in his memo that we need visibility particularly because we're a little more spread out, I think that having several dozen of these vehicles if possible would be critical and although we certainly don't want to allow the developers to shirk the responsibility of providing adequate parking, at the same time we have got to get accustomed to the fact that we need to start thinking more about having less parking. And as part of that, this fits to be part of that program, it will probably take some time to really get to a point where people are really accustomed to the program. But it's happened in many other cities and when people are accustomed to it, I think that it really encourages people to move into the downtown knowing that when they do need to do a quick trip out of town or they have for business have to go up to Mountain View or something that they have a car available to them that they don't have to go out and rent a car that they need a car for a business meeting they can use it. The density for residents may not be there yet but it's on the way and this I think can help encourage that.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Also support the memo. Just wanted to add that don't forget the ability to use clipper card as part of the program because I think that as that just got kicked off that this is an opportunity to incorporate that and with that I think you'll also bring in an even more diverse community that might be able to use the service. So doing my duty as a VTA member and promoting the clipper card.

>> Mayor Reed: Motion to approve, including Councilmember Liccardo's memo. All in favor? Opposed? None opposed, that's approved. Our next item is the annual report on the Green Vision. I think staff can be brief in the presentation. But this has not been presented to any of our committees so everybody is seeing it, not for the first time because I'm sure you all read about it in your packets but first chance to have a presentation. We're running short on time so staff needs to be brief.

>> Ed Shikada: So thank you. Let me just introduce Ashwini Kantak from the City Manager's office who can provide a brisk walk through on the presentation.

>> Hi, happy to be here to present the report I'll try to be as quick as possible and I don't have the -- I don't have the --

>> Mayor Reed: This is our last item and there's no evening meeting tonight so we can take a couple of minutes here to get this report.

>> So we'll cover the 2010 accomplishments as well as the 2011 work plan priorities, and joining me here is Kerry Romanow from ESD, and we have staff from all the areas to take questions. So economic growth, environmental stewardship and an enhanced quality of life still continues to be the cornerstones of the Green Vision, and the Green Vision really positions us to form city departments and to access funding at the federal, state, and regional levels. And it's also our interim climate action plan. So the next two slides kind of show you where we're at with respect to the 2023 targets. On some of the goals we're making excellent progress and some of the others like

the energy goals we're kind of laying the foundation for future actions that will help us achieve this goal. And we're doing this through a variety of ways on the municipal side as well as energy programs in the community. And all of these graphs are available on the Website kind of showing different performance metrics. This is just -- we continue to get a lot of national and international recognition so just a few examples here on this slide. And then I'm going to just run through the key accomplishments. Before we get into specifics on the goals just wanted to share that we've got over \$70 million in grants for Green Vision related programs and projects. With energy audits and efficiency improvements we have \$1 million of ongoing analyst energy savings at this point. Also just want to talk a little bit about numbers in terms of clean tech jobs we've attracted a lot of investment venture capital investments and are experiencing when growth is pretty sluggish in other sectors, are experiencing an impressive 8% growth in the clean tech sector. We now have over 4,000 jobs, 4350 jobs in clean tech and this is not happening by accident. So at this point kind of take a minute to say that we're really partnering with others testing technologies, driving emerging technologies like electric vehicle infrastructure and LED street lights and then also, advocacy. The picture you see there is the signing of SB 71, so this was a bill that brought over \$70 million in funding through tax exclusions to local companies and created 200 jobs. So again, some highlights of reduced in the last year 2010 we reduced municipal energy use by 10%, also did a lot in the community through the energy watch program. Where we partner with PG&E to kind of administer it for the county. We are at over 2.4 megawatts of municipal solar and 28 megawatts of total solar in the city. And we have the highest number of installations, solar installations in California. The San José sun shares program was something we had a really successful employee group buy program where we had 133 City of San José employees and retirees who are also members of the credit union, San José credit union. And they were able to take that opportunity, get solar on their house, and we had I think 100 KWH of photovoltaic installed as a result of that and four solar thermal systems. And we're now collaborating with Bay Area climate collaborative to roll this out. So we've called this now the sun shares program and we're rolling it out to others, other employers private and public and they can kind of take this successful model forward. In terms of green buildings we have 3.7 million square feet of certified green buildings out of which 1.2 is municipal buildings. Again, one of the highest overall diversion rates, staff also spent a lot of time designing an innovative system for businesses which is going to then target the highest diversion rate in the nation, and we'll be coming to council shortly with recommendations on that. On the recycled waterfront we started construction on the advanced water treatment facility so that was a big milestone and this is a project in

participation with Water District. This will really allow us to expand uses of recycled water. Completed the draft plan, general plan in 2010. And on the city fleet we're at 42% of city fleet on alternative fuel. We've reduced greenhouse gas emissions by 28% compared to our baseline. Of course we continue to be a national leader in deploying smart street lights. On the street tree inventory, this is quite an accomplishment, because we finished over 50% of the inventory with basically grant funds, volunteers and partnerships. And have grants, grants applications out to complete the rest. And then, also continue to get grant funding for bike ways, as well as trails, so 3.9 million in grants in 2010 alone for bike and pedestrian improvements. And then we also launched a more interactive Green Vision Website and this is based on a content management system so allows our staff to manage data easily and then for the community to interact more easily. So 2011, work plan priorities, so as you know we already have assumed a leadership role in a lot of different areas and I think at this point we just continue to invest in fiscally sustainable initiatives given the difficult budget times we have and then also focus on policies and programs that emphasize return on investment not just for the city but also in the private sector, so that includes deploying demonstration projects to support commercialization of clean technology continuing to reduce municipal energy, new transitioning to fuel efficient patrol vehicles and selling energy efficient street lights. Again this continues to be critical. Advocacy and we basically link the clean tech Leg agenda with the mayor's clean tech legislative agenda. We have renewable energy and efficiency storage smart grid and EV Infrastructure of key areas and we continue to advocate on those fronts. In terms of financing mechanisms, in the recent past we've been really fortunate to have a significant influx of grant funding for several Green Vision projects and programs. And at this time a certain runs out by the end of next year, like \$11 million for energy programs through the recovery act, and so obviously it's going to be a challenge and there's other avenues open up. At this time we're trying to focus our efforts to try to use the resources we have to develop programs, policies as well as scalable pilots that can be sustained by others in the long term, and sun shares was an example of that. And then we of course continue to look for other mechanisms to move this forward. So one of the things we've been really focused on based on council's direction from last year was partnership. We have our demonstration partnership policy which provides an excellent framework for testing out emerging technologies. So our first partnership was with Coulomb. And that has led to the impressive charge point America program which is now a DOE program and last year we also issued a request for interest on various Green Vision proposed and out of that we have proposes which allow us to access grant funding and to move forward on waste to energy

pilots, we are also partnering with governor's office and universities as part of the innovation hub cluster and really with a lot of other partners like the ETDC, San José state university, BAAQMD. And then of course we continue to engage the community. This year we are specifically focusing on energy efficiency and renewable energy. We have moneys from the Department of Energy to do this and April 29th we have an Earth Day celebration that will kick out this outreach and then continue into the summer with related activities and we're working through the council offices for this and then of course we continue our go green schools, reach out to a more diverse audience, continue to work with BAAQMD on the San José Green Vision resource team and again, use kind of everything we can in terms of social media, the city greenteam, the city's website, council offices, et cetera, to reach out. So I'd like to stop here. The recommendation language up here is just slightly different than what's on the agenda. It's what on the memo, as business standards thing. I would like to conclude. Thank you for your time. Thank all the staff that's really passionate about the Green Vision and work really hard and committed to making it a success. Thank Amy Chan from my office who's worked really hard on the new Website and the report and that includes our staff presentation. We'd be happy to take any questions.

>> Mayor Reed: Thanks for being quick on that. We appreciate that, running out of time at the end of the day. I'd like to thank city staff and Redevelopment Agency staff that have worked on this that have done so much to bring us along over the years since it's been adopted. And I've discovered one of the hardest thing to do in government is stay focused on something to get it over the goal line over a long period of time. We're really good at focusing on something for a short period of time but this is a long work plan. I'm happy to see over 4,000 clean tech jobs. We're pleased to see that. That is a sector that is growing unlike many other sectors. So we've had net job growth in San José, saving a million dollars a year in energy cost, that's a nice thing. We've seen new solar installations in the airport and central service yard. We have a lead in the nation in solar installations and we're going to be one of the most sustainable cities in the country with the adoption of the 2040 plan. So we've made some really good progress, I know it's taken a long time. Three things to do this year, we have 50-some work plan priorities. We're not going to get them all done this year. But there are three that I'd like to call out and ask the maker of the motion to include them in it. If we set a goal to achieve these this year, that we have done an RFP on solar companies to build solar on city facilities. We've identified approximately 13 megawatts we can install. I'd like to get that done this year as a goal. We may not make it but it's there, it's the opportunity, that's something we

ought to say, we'll get that done this year, we got negotiate it groundbreaking and all that but this year. We also have been working for a long time on three waste to energy projects. The fog energy, zero waste and the harvest waste are all moving along. And they're close. But we ought to just say we're going to get them done this year. We've been at it a long time. Let's get them over the goal line for this year. And then the third thing is energy efficiency is obviously the best way to save money and energy through efficiency. We've had an effort to do audits on our facilities and develop a plan to upgrade our facilities. Let's get that finished this year and get the audits all done and get the upgrade plan in place this year. Now, I know that a lot of things we do are opportunistic which is great. Who knew we'd get \$70 million of grants to implement this stuff when we first started so we've had some great opportunities and there's some great public-private partnerships and public sector investment we've been able to take advantage of so we're showing great progress doing great and we've just got to keep it up and I think we can continue to do this even in this tough budget because one of the things we've learned to do is work with other people's money and that's something that I've promised many other mayors around the country. After we figure it out and do it we'll let them know how to do it as well. Because they're going to be buying products from our companies here in the valley. But doing it with other people's money is really important, because we're not the only city that doesn't have enough money to invest in things like this. So great work to the staff. And I think there are probably some other comments from other councilmembers. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, mayor. I wanted to echo the praise. Thank you, Kerry and Ashwini for all your great work. I'd like to make the motion incorporating the mayor's prioritization of the three items.

>> Mayor Reed: Motion is to approve the recommendation with the three things to do this year. Councilmember Pyle.

>> Councilmember Pyle: Thank you, I just wanted to congratulate you profusely. I'm really impressed with what's been happening. I just have a couple of quick questions for you. Number 1, who sees this presentation besides us?

>> Nobody, at this point.

>> Councilmember Pyle: Oh I think --

>> We could put it out.

>> Councilmember Pyle: Oh, absolutely, absolutely.

>> Mayor Reed: There are hundreds of thousands of people watching us this very minute that have just seen it. [Laughter]

>> Mayor Reed: I know President Obama watches this session every Tuesday.

>> Councilmember Pyle: Well, I figure, wherever we can spread the good news, the better off we'll be. And the second one, 70 million was the amount you got through grants, but the total amount of money that you brought in, with the addition of grants, what would that look like?

>> The total amount of money, city dollars going into it?

>> Councilmember Pyle: No, no no no no. That you've helped to bring about. In other words, I guess I'm asking, what is your return on investment factor? What is the ROI?

>> Um --

>> Councilmember Pyle: It must be pretty high.

>> Wet, part of that 70 million like 30 million of that has gone into putting in recycled water infrastructure. So I don't know if we have a dollar amount but it's going towards that infrastructure.

>> Councilmember Pyle: That's good math problem for somebody so perhaps next time we could find out. Thank you.

>> Mayor Reed: Have some requests to speak on this item, we'll take that now. Mr. Wall.

>> David Wall: First off, the unfettered work plan with reference to all the grants versus the obligations that have been incurred by the environmental services department on your behalf. Let's look at these solar panels, they're beautiful, I almost want to cry, so good. What funds pays for their cleaning? Mr. Mayor, look at the airport. You have a lot of air deposition issues. As you know from a pilot, unspent aviation fuel is going to fall out. How are they going to clean these things for one? What's the efficiency once this air deposition happens as far as electrical output, another. Slide 14 please. Okay, right there. Look at other funding mechanisms still needed such as modified fee structures, improvement districts and new market tax credits. Let's put things, Councilmember Pyle, into stark mathematical solutions. The reclaimed water has been a failure, will continue to be a failure and there's no end in sight of it being a failure. It's bad water. Advanced water filtration is just acclimating the public for toilet-to-tap. Right now your infrastructure will collapse. With the loss unfortunately of retiring of the person who actually engineered that program, who did an outstanding job, this city is in a hard, hard area. But reclaimed water is no panacea, ladies and gentlemen. It cost you more money per year to operate that accursed program than anything else. Now you're using it in community gardens. Thank you.

>> Mayor Reed: That concludes the public testimony on this item. Any additional staff information? Ashwini?

>> I just wanted to comment on you know the solar panels. The central service yard is a power purchase agreement so the third party actually maintains. We really are not worried about the efficiency or how clean they are because we buy power at a certain predetermined price. So it's the third party's responsibility to clean and maintain the panels. And maintain the efficiency.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Thanks for the report. I just think all the work that's been done is great. I also want to commend the mayor on his vision and leadership on this so this is great for the environment, great for the economy. Kudos to everyone. I had a question on page 16 regarding community choice aggregation. Since PG&E's initiative failed, can you give me some input on how you would see San José working with that?

>> We have met with Marin energy authority, they are the ones that kind of pioneered this in the area, and they formed JPA with some of the cities in the county, and they've given us really good information on what -- you know, how it worked for them, what worked great, what are some of the issues they encountered and at this point we're actually kind of looking into it to see if it's something that would work for us so we're evaluating. We just met with them and Kerrie and I just met with them like two weeks ago.

>> Councilmember Herrera: I think this is really important because it's kind of charting a new path forward in terms of energy independence. I would like to see staff -- I would like to maybe have this added to the motion, I think there is a motion, to have staff come back in September with the analysis of the costs and benefits of community choice aggregation and how this might look in San José.

>> Councilmember Liccardo: That doesn't sound like a simple task. I have a feeling that when -- maybe could we ask and get a sense in terms of workload?

>> Councilmember Herrera: Absolutely. I think you guys are working along that pathway, but I think it would be really great to get some feedback.

>> Yeah, that's fine.

>> Councilmember Liccardo: If it's doable, I'm happy to include it. I just don't want to --

>> Yeah, I mean, we are going to --

>> Mayor Reed: Back to the transportation and environment committee?

>> Councilmember Liccardo: That's fine. Yeah.

>> Mayor Reed: So that's included in the motion. Anybody else on the motion? All in favor? Opposed, none opposed, the motion is approved. I think we're done except for the open forum. I have one request to speak. David Wall.

>> David Wall: Good news. For you, a little bit. I'd like to bring to your attention the efforts of José Luis Anaya Jr. This morning, PRNS employee, Mr. Anaya, picked up debris that was jettisoned, in other words, illegal debris in my neighborhood. He didn't have to do it, he stopped, I helped him. I want you to make notice of where he works, he's a maintenance person. Think of that when these budgetary messages are coming forward. Next I want to talk about the airport deficit or airport interest rate payments. This year is 19.8 million on the debt. Fiscal year, July 1st, that bumps up to 40.2 million. The next fiscal year, it's about 59.1 or 60.2 million. I forget. But in fiscal year 2014, there are no figures and fiscal year 14 as we recall, is where the potential or the unfunded liabilities that were discussed earlier today to start kicking in. This is also, I believe, an election year. I could be wrong on that but I believe it to be so. I guess I'm wrong. I think this airport business should become more publicly discussed. It could be a very extensive aviation museum. I don't see how they can afford their debt structure. Thank you.

>> Mayor Reed: That concludes the open forum. That concludes our meeting. We are adjourned.