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--TECHNICAL DIFFICULTIES WITH CAPTIONS. MEETING JOINED IN-PROGRESS.--

>> Mayor Reed: All right our next item is the pledge of allegiance. All please stand. [pledge of allegiance] First item of business are the orders of the day. I have a couple of requested changes from the printed agenda. We have one ceremonial item, for achieve kids that we need to defer to September 28th. And I have a request for excused absences from the CED committee meeting on September 27th and study session on 9/30 to support a leadership group trip, and then a request for travel and excused absence for leadership trip for myself, one for Councilmember Herrera, one for me to be added. Any other changes to the orders of the day? None, is there a motion, I have a motion to approve orders of the day as amended, all in favor, opposed none opposed that's approved. Closed session report City Attorney.

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

>> Mayor Reed: We will now take up the ceremonial items. I'd like to start by inviting John Stufflebean to join me at the podium. As we present a proclamation declaring September 20-26 as pollution prevention week. John knows all about pollution and prevention. He's here to receive this proclamation as part of our long running effort to have environmental stewardship be a part of what we do in the city throughout the city implementation of our Green Vision goals. All involve pollution prevention because we prevent pollution is so much easier than cleaning it up and taking care of it after the fact. So John will describe a little bit of what we're doing on pollution prevention.

>> John Stufflebean: Thank you, Mr. Mayor. I just want to highlight four things. This is pollution prevention week, so it's an opportunity to kind of highlight this issue for the community and for the city. Four easy things people can do this week at any time is first of all bring your reusable bags when you go shopping instead of getting a new bag every time. Use the least toxic alternative when you're doing housecleaning and pest control. Number 3, bike, carpool or take transit to work or any of your trips to reduce fuel consumption and carbon emissions. And finally bring any unwanted medications for self-disposal or exchange your mercury fever thermometers for new digital

thermometers at any of our resource fairs every week. So again, I want to highlight that. And if we take small steps to reduce pollution, it will improve our environment and just be a good thing, thank you. [applause]

>> Mayor Reed: I'd like to invite Councilmember Nguyen, today we're commending sacred heart community services help giving low income children the tombs they need. Councilmember Nguyen and Liccardo have some additional words.

>> Councilmember Nguyen: Thank you, Mayor Reed. Over the summer Councilmember Liccardo and I had the unique opportunity to volunteer with one of Sacred Heart Community Service programs called pack it back. We were overwhelmed to see thousands of kids and their families standing in line waiting for a free backpack filled with school supplies. For the past ten years, Sacred Heart has launched pack it back, a school supplies drive in response to the growing needs of providing children the tools they need to learn and be successful. Lack of proper school supplies has been identified as the largest obstacles to achieving academic success. Sacred heart of at the forefront of this endeavor. For students. I am proud to share that sake receipt heart was able to achieve their goal and distributed over 2,000 brand-new back packs to children in the county. [applause]

>> Councilmember Nguyen: I'm sure those children's in the families are grateful for their back packs. Councilmember Liccardo and I are proud to present the comments to Pancho Guivara and we thank him and his organization for the continued service to the community. Councilmember Liccardo is a little shy so I'm going to ask mayor chuck Reed to provide the accommodation to Chuck Guivara. Thanks so much.

>> It is an honor to receive this on behalf of the folks that really provide all the support and the hard work over at sacred heart. There are so many volunteers and organizations in our community that really step up. Last year we heard about the statistics about one in seven Americans are actually living in poverty in this country, a record number and it's a really difficult time for so many families. But in California we know the number of those that continue make enough to be able to make ends meet at the end of the month is around three in seven. It's a huge difference. You see that in a really, really profound way, with the families coming to sacred heart every day. But with pack it back program it became even more real to us, and it was really devastating to actually show up, be

prepared to be able to serve more kids than we ever have before and literally while councilmembers Nguyen and Liccardo were there we had to cut off our line because we actually in the first three hours we had or actually in the first two and a half hours we had actually filled all the spots that we were ready to and we had registered more people, more children more families than we ever thought possible to be able to serve. But with the support with the visibility and the investment of several councilmembers also directly invested in this particular program we were able to serve a record number of children this year. Like I said 2010 back packs filled in the year 2010. Additional 400 back packs and school supplies that were not completely filled through many different organizations. What it really stands for is a testament of the incredible support and incredible giving spirit you saw the segregate children that walked out here and were able to perform for us tonight and they are our future leaders and investing in them makes a huge difference. Thank you, mayor, thank you councilmembers, we really appreciate your leadership and support. [applause]

>> Mayor Reed: I'd like to invite Ann Lunns, Michelle Mann, Cyril LaKovac and Margaret Temasea of the Adobe foundation to join me at the podium along with Kim Walesh and a few other city people that have worked on the art program -- come on down -- this is a chance to celebrate as we commend the Adobe Foundation for their continued support of the arts in San José along with many other things that they do as a company. They make generous donation to our world-renown airport art plus technology program at the airport. So if you haven't been to the airport, make sure you book a flight through San José. It is a lot easier than going anyplace else and we have better art than anyplace else including the cloud which is probably going to have somebody else explain that in a minute. But the cloud is something that happens at the intersection of art and technology and I can't explain it to you. You just got to see it. You got to go to the airport. But we value the partnership with Adobe and Adobe has generously donated \$100,000 grant to help us maintain the e-cloud, which is one of the more popular art installations at new terminal B which if you haven't seen, you're missing it out. So I thank Michelle Mann and all the executives from adobe and the foundation, and we extend our greetings to Shantanu Narayen, the CEO, for Adobe's continued support for our community in many, many ways, and this is just one example. But I do have the official commendation.

>> Thank you so much. Good to see you.

>> Thank you. [applause]

>> So Mayor Reed and San José city council members thank you so much for this commendation. We're very honored to accept it. As you all know we are headquartered here in Downtown San José, adjacent to the airport so we have a vested interest in the success of the airport. We pride ourselves on blending art with technology. We're a software company, but at our core we're a creative company. And I think the e-cloud installation is the embodiment of what Adobe is all about. So we are very hopeful that this will be one of the reasons that traffic explodes at the San José airport. If you haven't seen the installation, please go take a look. Are it's really spectacular and thank you very much for the recognition. [applause]

>> Mayor Reed: Our next item is the consent calendar. Are there any requests to speak on the consent calendar? I don't have any cards, I'm assuming not. We have a motion to approve the consent calendar. Any items councilmembers wish to pull? No. On the motion, all in favor, opposed, none opposed, that's approved. Our next item 3.1 is a report of the City Manager.

>> City Manager Figone: Thank you, Mr. Mayor and members of the council. I have two items to report on. First of all is a campaign season reminder. Today I want to note I distributed an e-mail reminding all employees about appropriate conduct during the election season. This is especially important right now because there are items on the November ballot that affect employees and are generating strong feelings understandably on both sides. There's also continuing interest among neighborhood and community groups in learning more about the recent budget impacts, or other city issues of concern, and there has been some confusion due to recently scheduled neighborhood association meetings in a couple of council districts. In light of that I have reminded employees that while they are free to speak their mind on any issue when they are not on city time, they may not in any way advocate for or against any candidates or ballot measures while they are on the city clock. In addition, if employees receive requests from community groups to speak they should check with their supervisors to make sure that the most appropriate person attends those meetings to speak on city issues. My goal is simply to ensure that there is a distinct, bright, and clear line understood by all participants regarding who is speaking for the city at

these meetings and who is expressing their personal opinions. I've also reminded department directors to coordinate with council offices when they are scheduling meetings in the community or neighborhood meetings in their districts or if they become aware that city employees have been invited to address neighborhood groups. If you hear of such requests, or if you receive requests to speak on any issues where my office can be of assistance, please don't hesitate to contact my office and we will be happy to assist. The second is on the issue of PG&E and gas pipelines. I'd like to take this opportunity to update the council and the public on our efforts related to PG&E's high pressure gas lines. An information memo will be distributed shortly detailing some of the same information. The city has acquired detailed information regarding the location of all PG&E gas transmission lines within the city. We have also reviewed the list of top 100 high-risk pipe segments released yesterday by PG&E. Two pipe segments, as has been reported, identified on the list are located in or near San José, and both are on the list based on the potential for ground movement during an earthquake. On Thursday, staff is meeting with PG&E and we expect to get answers to a number of questions related to operational details such as pressure valves -- excuse me -- pressure levels, location of automatic shutoff valves and other operating protocols, the frequency with which PG&E is assessing pipe conditions to ensure the system meets federal standards, the maintenance and repair schedule for the two segments identified in San José as well as any others that might be in need of repair, staff is also preparing a fact sheet to help answer questions, and we're meeting with the council offices that have high pressure gas appliance in their districts. It's important to recognize however that ultimately PG&E is responsible for the safe operation and maintenance of their system. However, through the City's permitting process, staff does closely monitor all underground construction activities and requires operation prior to construction to ensure safe practices as well as appropriate public notification. So we will actively advocate for our community safety with PG&E, as well as federal and state regulatory agencies, and we will keep the exchange of information going with PG&E and inform you as this issue evolves and we have more information. And that concludes my report.

>> Mayor Reed: Next item is 3.2, consideration of agreements with Kaiser, Blue Shield, support services to the city. We'll have a staff presentation. Mark Danaj will lead that.

>> Mark Danaj: Thank you, Mr. Mayor, members of the council, Mark Danaj, Heather Ruiz, and Jeannie Groen our employee benefits manager.

>> Mayor Reed: Before you start you are also going to make a presentation at the same time the delta dental as well?

>> Mark Danaj: That is correct.

>> Mayor Reed: This is item 3.2 and 3.3.

>> Mark Danaj: That's correct, thank you very much. It is both of those items and both much those items represent the conclusion of a very detailed and complex RFP process. Both items include multiyear agreements for the provision of health and dental insurance for active employees and their dependents as well as eligible retirees and their dependents. And collectively these multiyear agreements amount to just under \$700 million. Given that significant expenditure and the continued fiscal challenge the city finds itself in, we thought we would take some time today to provide in a presentation format three things, one: A brief overview of the cost drivers to employee health care in particular, and the steps we have taken and will continue to take to help mitigate those expenses. Secondly: Provide you a brief overview of local and national trends in the health care marketplace including health care reform and lastly concluding with details with the RFP process that resulted in the recommendations that are before you. So there's probably no better place to begin than to take a moment, and pause, and look at the costs of health care to the City of San José. This chart represents the health care cost trends for the city. As you can see, with a projected year 2011 being the seventh year over a seven year period health care costs are going from \$76 million to \$126 million projected for the end of next calendar benefit year 2011. That represents over a 65% increase, and while it is very important to note that employees at the City of San José do contribute to the cost of their health care, currently ranging from 10 to 15% of the premium cost, you can see the city is still the primary provider of health care expenses. So we thought this would be a useful anchor as we continue our presentation. There are essentially four cost drivers to health care. These four cost drivers are national cost drivers. So many respects to the city and its insured population is impacted like this just like other

entities or organizations in our country. However, I'll take a few minutes to talk a little bit about the first one and how we're inordinately impacted by that cost driver. So again this is a national impact on costs which is the aging of the workforce. The U.S. workforce is aging. And with age comes a natural decline in health and a greater consumption of health care. While the average age of the workforce in general is aging, local governments, and San José is no exception to this, actually has an older workforce than the general population. So this particular cost driver impacts us a little bit more than the average organization for that reason. Secondly as you know we provide a retiree health care benefit and those health care rates are blended with our active employees. So the second way we are impacted is the increasing ratio of actives to retirees. So the City of San José insures roughly 10,000 lives, this is all the active employees and their dependents, all the eligible retirees and their dependents, that's been a relatively stable number over the last few years. Six years ago 32% of that population represented retirees. Today it's as high as 38%. And it's projected to continue to increase. Again this particular cost driver will have an inordinate cost driver to us relative to the general populations. The other three cost drivers are relatively straightforward. Medical advances, technological advances in medicine and provide wonderful things to people, extend people's lives, offer a better standard of living but have typically significant impacts on health care costs. It is the general deterioration of health, again a societal trend that unfortunately our employee population is not immune from this either. Many people argue a general culture of convenience creating a more sedentary and less healthy population is impacted health care costs across the country and again in San José. Last item is the third party payer population. Simply put my relationship and consumption of health care is primarily between me and my treating physician. Yet a third party the City of San José is primarily paying for that. And many people argue that that isolates the consumer to a degree and results in additional increases in health care. Shifting to cost containment, there are some traditional approaches to cost containment including shifting costs so examples of this would be deductibles, co-pays, co-insurance, increases in co-sharing of premiums. Limiting access, this has primarily over the years been witnessed or developed in the arrangement of how you access health care. So the prevalence of HMOs or PPO networks. Also, traditional cost containment efforts include reducing benefits so putting limits on various types of coverage. It's important to note that these are very legitimate options at controlling health care. In fact I would argue that over the years San José has had radio relatively relinquish health plan and while other organizations have long moved into this area there was clearly room for us to do that so our moving from paying 90% to 85% having our employees share an additional 5% of the cost of premiums or

the increase in co-pays were very reasonable decision for us to make to help control health care costs but there are limits to that which lead to a broader discussions of what we're working on and other organizations that have already taken these traditional steps have really started to invest in, and that's primarily in wellness. And leading us to wellness as an additional and a longer term solution. In order to talk about that, though, we need to take a moment and just reflect on state of health care in the U.S. and how we spend our money. So there's a few slides to seed that discussion. Much of this is commonly understood but still worth pointing out. It's the United States is - - has some of the best doctors and hospitals in the world. We also spend the most amount of money whether that's a percentage of GDP or a per capita basis yet we're not necessarily the healthiest nation. It begs the question why this is the case. Increasingly many people believe that we don't focus on prevention and lifestyle changes. The U.S. spends approximately \$2.5 trillion on health care but more than 95% of that is on medical care and procedures. So the direct treatment of disease and illnesses with very little being left are focusing on wellness and prevention. Moving from treatment and putting a greater focus on prevention means focusing attention on lifestyles. According to the CDC, there are five controllable lifestyle choices that cause over half of the deaths in the U.S. It's also believed that 80% of health is primarily focused on lifestyle and the choices that one makes leaving only 20% to be accounted for in our genetic makeup or perhaps the environmental impacts that we encounter. Sorry. Another take on it is if you were to just focus on three of those main lifestyle choices, you can see that just three of those, the use of tobacco, unhealthy eating and physical inactivity, cause 80% of the cases of heart disease and diabetes. Last, opportunity again just to provide some additional context. The Department of Health and human services has taken those same three lifestyle choices and broken them out into the millions of dollars that the United States spends just on those particular areas. So that brings us to the second area of cost containment which is a much more longer-term solution and San José has begun to invest in which is wellness, in focusing on a healthy diet, regular exercise, not smoking, focusing on a healthier weight and blood pressure control. Influencing these factors will have a long-term and more -- greater impact or influence on our health care premiums than plan design or any singularly negotiated item. It is not to say that wellness is a silver bullet. It is something that will take time and continued investment. But those types of investments many believe in the health care marketplace have much longer term payoff and is really sort of the last frontier to control health care costs. Lastly just to conclude this part of the presentation and focus on the wellness program in general, best practice wellness programs focus on awareness, starting to educate people, provide resources and environment

of learning, in this area San José has in its wellness program publishes a monthly newsletter. We also provide wellness classes and education in the workplace, a telephonic campaign, onsite biometric screenings where people can come at a private space in the workplace to provide a basic overview and assessment of their current health. After one builds awareness the next step is to provide activities oriented to move people to make differences in their lifestyles. This includes in our current wellness program online cash awards. Via our health care providers both Kaiser and Blue Shield where one goes through a variety of online classes focused on your unique challenges to health and provides cash awards to help influence your behavior. We provide work site fitness to the extent it can be provided in a cost effective manner. We also have a bike fleet here at City Hall. Ultimately the focus is to get to a results oriented part of wellness. This is where you really start impacting people's behaviors and their lifestyle choices and frankly you start impacted our consumption of health care and put us in a better place to negotiate with the health care providers for rates that are below the trend that other organizations are seeing. Our flagship under this area is still in its infancy. It is the med expert program, the individual physician support that we're offering to our employees on a pilot basis on a voluntary basis to better educate them about their unique health challenges and how to interact and make the best choices with the health care system and achieve the best outcomes. Lastly for this part of the presentation I'll just conclude on a slide that really reflects sort of the ideal of one wants to achieve if you want to take control of health care costs, of which I think we are making some very good strides. So at the top of it again is sort of results oriented. The bottom line is you want to impact how you consume health care, get the better outcomes so that you have a healthier population, it puts you in a much better position to negotiate with health care providers. Part of that is down in the bottom left, number two, smart benefit design I think in large part the city has really achieved a smart benefit design. It will be important to make sure we conclude that by getting all of our employee groups under that same benefit design that provides indeed some cost sharing but also incentives such as zero co-pays for preventative activities. And then thirdly on the bottom right we need to move ourselves into the area of providing some more incentives to move people in these right directions. Some organizations go so far as to not allow smoking if they're going to be ensuring people or have different plan designs if people choose to smoke. Right now San José is starting to experiment with incentives but they're primarily focused on the cash bonuses that one can achieve by participating in the programs that our providers give us. With that I want to pass it over to Jackie, our benefits

consultant, to provide a brief overview of the local and national health care landscape with also a few moments to focus on health care reform.

>> Okay, thank you Mark. I work with Buck Consultants, and as a consulting firm we twice a year do a survey of the industry on health care trends. Our trend survey has been running now for over 20 years. One of the things we noticed over the last five years is there has been for HMO and PPO plans like the city offers low double digit increase in trend each and every year. Now, trend is an industry component is made up of several things. It includes inflation, it includes the rate of utilization of health care, it includes mandated benefits, technology changes as they impact health care, and plan design changes as they impact health care. So all of those go into what we call trend in the industry. Now, double-digit trend which is currently running at 10.6% for HMO plans and 11.6% for PPO on a national basis, we in Northern California tend to be in a higher cost area, so our trend generally aligns with the national trend level. That means that we're looking at double-digit increases even before you take into consideration utilization and demographic factors. Now, employers cannot handle double-digit increases year of over year, especially organizations such as the city. So they take steps to mitigate those increases and really reduce their trend curve. And so the most recent items that they focused on as the general rule to reduce costs is number 1, a continued and increasing emphasis on wellness programs and disease management. In some cases these aren't necessarily new programs, but the idea is to encourage greater participation on the part of overall population. Not just your active participants but your dependents of those participants and your retirees. Those are hard groups to reach out to but quite truthfully in an organization such as the city where you have a stable workforce that's with you long term and which you often cover into retirement it behooves you and other organizations like you to really focus on trying to get your hands around that entire population and get everybody as healthy as possible and for those who have chronic conditions managing those chronic conditions in a healthy manner. Another factor that employers have employed in order to reduce costs is they've shifted costs and shared the costs with participants in the form of increased contributions, payroll contributions, increased co-payments and increased deductibles. Typically when you're increasing these plan components, the goal is not to have people avoid care. It's to have people get care in the best possible manner. So for example the city's program allows for zero cost preventive care. This is very important. You want to get people to get preventive care. On the flip side you have a higher co-pay for emergency room visits. You

want to keep people out of the high-cost emergency room unless it's absolutely necessary. So these are some of the reasons why employees share cost. In addition, there is also the concept that we just want people to be aware of the cost of health care. And so therefore they need to have a certain amount of involvement with the program. That brings us to the next item, which is a continued interest in consumer-directed health programs, which quite truthfully for public entities, they have not been well received, but consumerism has been. And again, consumerism is just having people be better educated about the programs that you offer and how best to use their health care dollars. So for example, Mark mentioned Med Expert as a program the city's implemented. It is a program that helps people make health care decisions, especially when they need them most, when they are faced by a medical challenge. So that is sort of the area that employers have looked at. And finally, the last component that employers are really focused on is tightening their administration and their eligibility. Health care costs more and more to manage as an employer, and it really behooves everybody to make sure that you've got your program set up effectively and efficiently. You want to cover only participants that are eligible for coverage. By the same token, an active participant is paying into Medicare and the city is paying into Medicare for them. Then when they're eligible for Medicare they should be enrolling in it, because then Medicare will pay the first dollar cost of that care, and the city's only responsible for picking up the difference. Now, with regard to health care reform, as it's currently written, there is no cost savings features for employers in the current health care reform legislation. Indeed there's actually additional cost for employers. There's additional reporting requirements. There's additional procedures that will have to be put in place over the next decade to deal with the new features that are in health care reform. You're going to see this starting next year with the need to include in your W 2's information on the cost of health care. It will continue beyond that into auto enrollment process which is different than you currently have, employee voucher system that you'll need to put into place when the care becomes available in 2014 and so on. There is also additional reporting to HHS and to employees. Additionally, insurers increases will shift to employers. So the fact that insurers are not going to be able to put constraints around their plan designs in the same manner that they've done in the past will eventually create increased cost on their part, which we are sure will be shifted to participants -- to employers. In addition, there's surcharges in taxes that are included in the legislation. Surcharges on pharmaceutical companies and medical device providers which will find their way into their product and then be shifted onto the insurers who pay for the cost of health care, they're your third party for the city. There's also the insurance companies are responsible for exchange support, they'll be

taxed to support the new exchanges that are going into place and there's some other ancillary taxes that will impact them. And again we expect to see those costs shifted to employers starting in 2012, initially probably about somewhere around 3% just for that component, health care reform. Starting in 2014 we expect to see that increase. Now that's assuming things don't change. We don't know that that's the case but some consideration specific to the city based on your plan design. You have Medicare advantage products for your retirees. CMS is freezing their funding of these programs starting in 2011 they'll actually reduce funding in 2012. What that means is the cost of those services that aren't paid for by Medicare will be picked up by the city through their insurance products. So that will put a cost pressure on you. We expect minimal savings impact from the early retiree reinsurance program which is only in effect for two years. There is a maintenance of effort requirement, if the city wants to make other plan design changes they cannot meet that maintenance of effort requirement. The low income premium subsidy which goes into effect in 2014 in conjunction with the changes is sort of an unknown component. It is not just predicated on what people make. It is predicated on their family composition and how they file their tax forms. So you really don't know how it will impact you and you'll have to put procedures in place in the event that you have some people that might be able to file for this. And finally the Cadillac tax which is kind of the high dollar tax that goes into effect in 2018 has some published thresholds which based on those published thresholds the city would be impacted by now. There is a caveat there about the possibility that based on demographics and geographic location that threshold might be raised for organizations such as the city, but we really don't know that yet. So these are all features that the city needs to be paying attention to. I'm going to pass it on to heather to talk about your latest marketing project.

>> So I'm going to start of bring it home in terms of what are the recommendations before you today. What HR staff, working in conjunction with Buck consultants, had conducted a full market search for health and dental vendors, and that's what we're bringing forward for your consideration today, we asked respondents to the RFP to quote several different options or scenarios, if you will, that are included in the council memo and laid out here in summary. We asked them to compare the cost of the current plans and designs in the marketplace, look at our current model, fully insured model. We also asked them to quote on the self-insured model, if that would make sense for the city to move to, as well as looking at cost efficiencies, what if we had done something like changing to only one HMO plan versus two. So we asked all of the people who responded to the RFP to quote the different

scenarios in order to fully evaluate that. We received proposals or declinations to propose from all of the carriers that were eligible to provide coverage in our population. So we do feel we got the best options available in the marketplace that serves us. There were what those summary of those results are some is that there were representatives over broad range of stakeholders participated in our selection committees and those results are being brought forward to you today. We're recommending no carrier changes that we continue with Kaiser and Blue Shield as we currently have, continuing our current model of being a fully ensured entity. Our rate increases, as referenced just a few moment ago by Jackie, are coming in below that market trend of about 10.5%. The increases for Kaiser in the \$25 co-payment plan will be 8%, in the \$10 co-payment plan 9%, and for Blue Shield and all other plans approximately 4%. And the details of the premiums were attached in the attachment A to the memo. They're quite lengthy with all of our different plans, so I won't go through those at this point. Also included in what we asked people to quote was these additional continued support for our wellness program as I think Mark did an excellent job of making the case that is something we need to and want to continue investing in. Our benefit plan recommendations that are before you today include zero dollars co-pays for preventive services, continued funding support from both Blue Shield and Kaiser for those city sponsored wellness programs that we do have and continuation of those cash incentives that Mark alluded to earlier that are currently available so those are all included in those premium dollars that are before you today. I want to take just a moment to sort of reflect and I think echo what you've already heard from both Jackie and Mark in terms of looking into the future. We would recommend we need to continue that investment in our wellness programs, to continue to mitigate those future trend increases and create a healthier employee and retiree population, continue our work in human resources ahas been working on implementing all of the recommendations of the City Auditor that came before you in June of 2009. In that report nothing that we're doing today or nothing in the health care reform changes those. We need to continue the implementation of those recommendations. And look towards Medicare options as I think Jackie very clearly laid out an explanation of what those cost drivers are continue the work on our Medicare program for retirees to be able to ensure and achieve future savings in that area. So with that, I thank you and want to turn it over and see if there are any questions.

>> Mayor Reed: I think there will be a few questions. I had a couple to start with. I don't know what slide it was on but there were a couple of slides with lists of things that are going to be shifted to us. Which I assume will

come in the form of a premium increase from our various carriers. We're looking at a \$100 million a year program in rough numbers. So a 25% increase due to the federal changes would be \$25 million increase. So I just want to know if anybody has seen Jennifer Maguire, and how's she feeling? Because my guess is that does alter the projections in the later years of our financial condition. But do you have an estimate of what the additional increase on top of the usual 10% increase that we're likely to see as a result of the federal health care changes by an order of magnitude?

>> Mark Danaj: Yes, Mr. Mayor, I'll let Jackie answer that question.

>> In terms of the increase, a lot of it is subjective. So for example, if you look at this year, your program already covers preventive care for example. You already covered dependents to age 25. The changes that went into effect this year because of health care reform really weren't significant for you. However we've had to negotiate with the carriers in regard to that and say -- and point that out to them. In other words just because their standard component for example is .3% or .are 5% for these increases we've pointed out that we expect to see that in experience and we don't expect to be hit with that up front. So we've negotiated that out of the equation this year. We want to continue to try to negotiate that out as much as possible. If we were modeling the plan, like I mentioned, we would be increasing the plan by -- the plan costs by 3% each year for the next three years because of health care reform. That's a very generic statement. And when you look at a plan, you have to look at the utilization that a plan's experienced, you have to look at the demographics of the plan, and you look at it on a plan-by-plan basis. Your HMO plan versus your PPO plan. So our goal would be to keep reducing that from what the stated average is to something that's more reasonable. We do expect to see cost increases, and that's one of the things we're projecting forward. But I would hesitate to give you a firm number and say that's what we'd expect to see because our goal is to keep your numbers below that.

>> Mayor Reed: Well, I appreciate that goal and we all want to do that. Three years at 3% is 9%.

>> I know.

>> Mayor Reed: For me I'm thinking ballpark of 10% which is a lot better than ballpark of 50%. But it will drive the costs up.

>> And what typically will happen is you'll have to look at other ways of mitigating that cost.

>> Mayor Reed: Then second question that's related is who pays the Cadillac tax?

>> Well technically insurers pay the Cadillac tax but of course what that means is that it will fall back on you eventually. If you -- if your plan is subject to the Cadillac tax.

>> Mayor Reed: So usually when things are taxed the recipient of the benefit gets to pay the tax.

>> I know.

>> Mayor Reed: When you buy something at the store you get to pay the sales tax. Are you telling me that the employees who get the Cadillac plan don't have to pay the Cadillac tax?

>> That's not the way it's set up right now so no.

>> Mayor Reed: So we get to pay the Cadillac tax?

>> Eventually, yes.

>> Mayor Reed: Is that included in the 3% plus 3% plus 3%? Could be more.

>> It's eight years out now but we're hoping they realize the need to increase that threshold.

>> Mayor Reed: Okay, Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, Mayor Reed. I think it was a really good presentation about cover the whole aspects on a national basis and a variety of topics and what the costs are. I've heard in council meetings past that wellness would actually reduce our cost but what I'm saying that even with a wellness program our costs will increase so was that a false statement then that wellness would actually drive down costs? I know it's something that I heard from speakers and speaking at the dais or at the podium?

>> Mark Danaj: Right, councilmember I hope you didn't hear me say it would absolutely reduce cost.

>> Councilmember Oliverio: No it wasn't you.

>> Mark Danaj: So those four costs that are going to drive health care into the future, the focus of wellness in my eyes the focus of wellness is to reduce your experience, your use of health care so that you can actually negotiate rates that are sort of below what the average trend is. So the trend is going to be reflective of the national marketplace or in some respects California Northern California health care marketplace. So the goal is to have us as individuals and then collectively as an organization, impact our utilization of health care, also be healthier, get better outcomes more quickly, and as a result, put us in a position to be able to negotiate lower rates with health care providers. But that's unlikely in the foreseeable future to result in reductions in the cost. It is more of a slowing of the rate of increase.

>> Councilmember Oliverio: So is there any inclination, and maybe between you and the consultant that if we didn't have a wellness program, that I believe is \$176 million this year on health care, would it be 10 million more, would it be 5 million more? Would it be --

>> Mark Danaj: I'll let Jackie jump in. I would say it's hard to say, but I would say that if we did not have our plan design changes, so moving our co-pays to a higher dollar amount that we did a few years ago as well as the additional movement we did this past year, if we had not made any investments in health care, I think it's

reasonable to assume we would at least be a trend. So instead of an 8 or 9% increase we would be at a 10.5, maybe more.

>> And I would mirror what Mark is saying but quite truthfully you're sort of saying if we didn't do this where would we be? It is the same thing as saying if we didn't make co-payment changes where would we be, if we didn't make contribution changes where would we be. We know you've been in worst situation. I've only worked with you for a year, I don't know how worse you would be. Typically where you would be is behind the curve because as I'm -- what I was talking about, in particular, pointing to the city, but what all employers that we're seeing are doing to offset their costs. So if you weren't doing any of this to offset your costs, then you'd be the one that the costs were shifted to.

>> Councilmember Oliverio: That makes sense. But I think we do know that if we didn't change co-payment plans, we do know what the costs would be extra, because that is kind of a concrete thing, versus wellness is more nebulous.

>> That's true it is more nebulous but on the other hand when you change your correction you're also kind of changing utilization trends and how people get care. So it's not just the dollar amount of those contributions change, it's how people got care because you made those changes.

>> Councilmember Oliverio: Right change of behavior.

>> Uh-huh.

>> Councilmember Oliverio: So your discussion got me thinking and I went to go find it online, there was a Henry J. Kaiser Foundation survey they did in September, and I think your survey kind of touched on it. Not by name, but some of the statistics, but that the costs have been increasing more so this year than last year, et cetera, but that all of the costs, where they traditionally were burdened 50% by the employer and the employee, now it's all

on the employee, based on what I see in the Kaiser Foundation study in the L.A. Times. So did that change on a macro trend that more of the employees are now sheltering the burden on increased health care cost?

>> I think it depends on the plan and how you set the plan design. I work with companies where they have basically frozen their contribution, and that means yes, indeed the employee is handling all the additional costs. That's still not -- it's true of certain plans, in other words, you have a multitude of plans that are offered to your participants. Where you support at least one of those plans, to a greater extent than others. I mean you have a baseline, basically for where the City's contributions are. The amount over that is going to be handled or taken on by the employee. So what I will tell you is that more and more, employees are being asked to share in the cost of health care. And it's in part because of, again, the shifting of the contribution strategies, that employers have, as well as when you make co-plan design changes generally speaking, the idea is that there's some recognition on the part of the participant as to what the cost is and they're sharing more of it. So definitely I would say that participants are sharing more of the costs than they were say ten years ago.

>> Councilmember Oliverio: Okay.

>> Or even five years ago.

>> Councilmember Oliverio: And then another observation on people that are retired, for example a retired schoolteacher and they tell me, well, I pay \$1,000 a month for private insurance. How does that compare to what we offer our retirees, are we infinitesimally better, or just somewhere different?

>> Mark Danaj: I would say that we offer -- not to apologize for it, but a very rich benefit to our retirees. I'm going to try to go back to the opening slide, Heather maybe you could help me. Our retiree benefit if you are eligible is 100% of the lowest cost plan. That could include a family plan. So we pay 100%, zero out of pocket costs other than co-pays what were applicable for the premium. So you can get a single plan if you are single or, if eligible, a family plan. We pay 100% of that cost. The reason I want to come back to the slide to just point that out is that the slide shows the total expenditures, again the vast majority being the city, then there's the employee contribution to

that. But then there's a small line that shows the retiree. And the only reason it shows retiree because those are retirees who choose to take the value of the benefit and then buy up to the more expensive Blue Shield products, or in some instances, there are retirees who don't live within a Kaiser coverage area, which for the most part means you have to choose to live out of state. Because Kaiser, as you well know, covers all of Northern California, much of the state of California.

>> Councilmember Oliverio: I appreciate that. Just real quick if the retiree, my parental units, are paying \$1,000 a month for their health care, what's a current like retiree of San José paying instead, a year, so \$12,000 not including medication and co-payments?

>> Mark Danaj: So the Kaiser family plan if that was the selection or the eligibility, is about \$1300 a month. Which is being paid for by the city. Or excuse me was being paid for by the retirement plans of which the city's the sponsor.

>> City Manager Figone: So Mark the retiree would pay zero?

>> Mark Danaj: Correct. Retiree pays zero and gets the value of a \$1300 plan, if they're choosing family Kaiser.

>> Councilmember Oliverio: Okay, just information I just need to know to kind of contrast things where we are in different occupations and all that. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Mark, I was hoping you could help me understand the numbers better. On page 1 and 2, we see the premium cost not to exceed figures and that's 64 million for Kaiser and a little over 50 million for Blue Shield. When we turn to page 13, you see that the annualized cost of health care insurance benefits for employees will be almost 60 million to the city and 7.7 million to the employees. And then on page 14 we see the numbers referring to the retirement funds. None of -- it's my concern is my question now is

two parts. One is I'm trying to reconcile pages 1, pages 13 and 14. And then I'm also trying to reconcile with that 126 million figure. And I understand when we come within 10 or 20 million, but I'm not sure what other costs there might be.

>> Mark Danaj: Okay, councilmember, let me see if I can take a shot at that. Page 1 is showing the total amount of the agreement. Over a four-year period.

>> Councilmember Liccardo: Actually, I'm saying 2011 now, the 64 million figure. So we could start of talk about apples to apples.

>> Mark Danaj: Okay.

>> Councilmember Liccardo: The calendar year 2011, like I said, it's a calendar year. That may be part of the problem. We may be looking at fiscal years when we're looking at the chart. But I see 64 million calendar year 11 for Kaiser. And 50.7 for Blue Shield. Is that the cost to the city and employees and retirees? Or is that just the city's share?

>> On page 1 that's the total cost for actives and retirees. And the cost summary implications of back further along. That has to do just with the active employees.

>> Councilmember Liccardo: I'm sorry, I didn't hear that last part.

>> The figures further back in the memo have to do with just actives. So the cost implication to the city is the active employee only. It does not include the retiree medical trust.

>> Councilmember Liccardo: Right, okay.

>> There is an impact to the retiree medical trust.

>> Councilmember Liccardo: At the bottom of page 14 we see the reference to the retirees, 41 million to the fund and 6 million to retirees who are enrolled; is that right?

>> Yes.

>> Councilmember Liccardo: All right, so if we add all that together, that should be pretty close?

>> It will be close. There are projected numbers as far as how many people do we have, what's the enrollment change going to be. And so the actual amount that we'll spend will be based on actual and growth, so these are just projected.

>> Councilmember Liccardo: Okay, great, thank you for that. I see you have a letter from Bob Leninger here, he's the president of the retired employees association. He raises concerns about, number 2, the -- we know there's a wide variation in terms of the economic status of our retirees. Particularly those who retired a long time ago relative to the present. And also based on their job classification and certainly some retirees may have six figure pensions and some may have pensions that essentially leave them in poverty. What I'm concerned about is this issue of means testing, and as we -- particularly as we look at an awful lot of cost shifting, as we never really have to, is there any way for us to be able to means test the health insurance costs to protect lower income retirees from sharing that burden? Is that something that we have ever -- I know you're not involved in negotiations on a daily basis with the bargaining units but is that something that can be negotiated over, or do insurers simply say look it's got to be one size fits all?

>> Mayor Reed: I'm sorry, we're going to have public testimony but this is not the moment. I've got your card and we'll get to it. Let's get the question and answer for the councilmember.

>> Mark Danaj: Councilmember, without laying identity the specifics, I would assume it's possible to purchase insurance in different policies for different groups of people. We do that now. Jackie may be able to add to that a

little bit more. So the concept of means testing I suppose is possible in termination of us wanting to purchase that from the marketplace. But in large part I would think it would be subject to the broader discussions of a second tier benefit whether it be a retiree benefit or a health care benefit. The issue of prospective employees or prospective retirees versus existing retirees would be the broader, frankly more challenging issues associated with that.

>> Councilmember Liccardo: Right.

>> Mark Danaj: I would just once again reiterate that the benefit is 100% of the lowest cost plans to the extent the retiree lives within the coverage area of Kaiser, they get that benefit without cost. The only exception is co-pays that may come as part of that policy.

>> Councilmember Liccardo: And deductibles.

>> Mark Danaj: Well, there is no deductible for Kaiser. So that would -- deductibles would only become an issue again if a retiree is choosing to buy up to a more expensive Blue Shield product for whatever reasons.

>> Councilmember Liccardo: Got it, thank you, that's very helpful. And then the last question I had related to the budget savings that may result from what appears to be some reduction in cost increases that we might have anticipated in the budget last year, and fortunately, through fine negotiation with our insurers, we're able to reduce those cost increases quite a bit. I see what they are in percentage terms. Do we have any sense of what that means in terms of general Fund impact?

>> Mark Danaj: I do not currently, informed us that they are leaving the budget in place and potentially raise that issue at the mid year process.

>> Councilmember Liccardo: Okay, I imagine the numbers are moving in both directions. Thank you Mark.

>> Mayor Reed: The budget numbers of are running in both directions and we'll take that up at mid year. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I wanted to ask, first of all Mark you talked about the monthly newsletter and the assessment of the health, is that available for councilmembers too? Can we go get ourselves checked out?

>> Mark Danaj: You certainly can. In fact I think we hosted one event on your floor but there will be more to come.

>> Councilmember Pyle: I must have missed it. Hmm, can't imagine that. And has there ever been any talk about an exercise room?

>> Mark Danaj: There's been more than talk. There's actually been the offering of an exercise room here in City Hall, it just opened this last Friday.

>> Councilmember Pyle: Oh.

>> Mark Danaj: It was reflected a very small space that had limited use to the city and some minor investment to make it available to the working community, the employee community that's here at City Hall. Somewhat similar to some others that we have around the city.

>> Councilmember Pyle: It is not the one down in the garage.

>> Mark Danaj: It is the one down in the garage.

>> Councilmember Pyle: I do know about that one. And Jackie, I wanted to ask you some of the numbers you threw around were very alarming. For example, talking about the reasons for the double digit increases, you

talked about the fact that wherever we live as a city, predicated what happens to us as a City Hall. Which seems a little unfair. In other words are you saying that the approximately I think it is 5,000 people here would be considered after the demographics of the whole area of San José would be considered? No.

>> Councilmember Pyle: No, you didn't say that. I'm glad to hear that.

>> What I'm saying is specific to the city your demographics are part of the calculation in looking for your renewal. As Adobe's when they look at Adobe's renewal. That is very specific to the organization.

>> Mark Danaj: So the demographics if I could just interrupt and underscore it, it is the demographics of our employee organization, demographics of our organization not the city at large.

>> Councilmember Pyle: And do we have any kind of assessment of our general health ratio, in other words number of people that are in great shape and some us need help, do we have any idea? That would be a violation of rights I would imagine.

>> Mark Danaj: No, councilmember, we don't have that specificity but what we do have more than ever before which is driving the focus of some of our wellness programs is generic aggregate feedback from our health care providers on where the majority of our dollars are going. And those chronic conditions that are really consuming a majority of those dollars, and allowing us to have the ability to start focusing on those, at least in some limited way.

>> Councilmember Pyle: And you did have classes in reference to that.

>> Mark Danaj: Yes, we do. That's how we make selections of what kind of classes we have.

>> Councilmember Pyle: And those are still continuing?

>> Mark Danaj: Yes.

>> Councilmember Pyle: Wonderful. I've heard good things about them. And also I just wanted to double check with the -- you go out for bid for whatever, for a four year period and you do that -- well, this will go from January of 11 until December of 14 would that be correct? Are there any adjustments that are made along the way? That's what I'm referring to the bump-up, it's no guaranteed package?

>> Mark Danaj: Yes, absolutely. These agreements are a four year agreement for health and the second one the following one on your agenda now that we're talking about now is a five year agreement for dental. So those are setting the parameters for multiyear agreements with annual renewals but there are no guarantees or caps in the rates, so the rates you are seeing now are the ones that would go into effect for plan year calendar year 2011.

>> Councilmember Pyle: So it kind of begs the question, are we any better off because of the package?

>> Mark Danaj: Well I would argue that we're -- we seem to be somewhat better off in the sense that we're not paying the trend rate that most organizations are. We're 1 to 1.5% below that.

>> Councilmember Pyle: Okay and you've negotiated it so that that makes a difference too.

>> Mark Danaj: The trend rates generally reflect, a variety of studies nationwide reflect what organizations are paying. So it's not just the function of us being good negotiators, I think it's a function of us having some things to trust the providers with. I can't say wellness is making a big impact yet. It's going to take time. I think a lot of our plan design is driving most of that now .

>> Councilmember Pyle: And then you had mentioned a single item. For example, if you chose either Kaiser or Mayor -- I mean Blue Shield, how much of a difference would that make in our cost, in other words, the City of San José, this is what we offer, end of story, if you want something else you have to make up the difference, would that be much of a savings?

>> Mark Danaj: So the --

>> Councilmember Pyle: I don't know what the percentage of people that are with Kaiser and what the percentage is with Blue Shield. It's hard to get a feel for that.

>> Mark Danaj: Roughly half our population chooses Kaiser and half chooses one of the Blue Shield products.

>> Councilmember Pyle: And so the significant difference between the two would be --

>> Mark Danaj: The difference between the two is assumed by the employee or the retiree. So again the benefit to employees is 90% or 85% depending on your employee group of the lowest cost plan. And in this instance that remains Kaiser, whether it be a single plan or a family plan. That is where the City's costs are set. Any expense above that, because an employee or retiree chooses a Blue Shield product, is then assumed by that individual.

>> Councilmember Pyle: And then when does it kick in where the city helps to -- with the Medicare component of it? In other words, are there employees eligible for Medicare that are still working? That's question number 1. Yes?

>> Mark Danaj: Sorry, just clarifying. So to the extent, first of all let me say to the extent that a retiree is eligible for Medicare and assigns it to the city the retirement plan then assumes a lower cost because Medicare essentially is sort of the primary provider and the insurance policy that we're purchasing goes on top of that. So there is a very real and significant savings that probably is something we need to explore much further moving forward. As it relates to any employee who maybe Medicare eligible I'm going to defer to my team.

>> If an active employee is eligible for Medicare the city still pays primary. They pay before Medicare, okay? That's set 50 government. It's only when you get to the retiree component that Medicare becomes the primary.

>> Councilmember Pyle: That it switches over. Well, thank you very much.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I had -- I have additional question related to the letter dated September 20th. From Bob Leninger. And I wanted to ask about Medicare. So can you describe the current plan for Medicare employees on Medicare versus the change that's being contemplated now?

>> Mark Danaj: So maybe to do that in reverse order. There's no change that's being contemplated. So these two items before you are providing us the ability to negotiate and execute multiyear agreements. And inherent in that direction or authority is the ability potentially to negotiate for Medicare plans when and if we have retirees that are Medicare eligible choosing to assign it to the city. You are not making any changes today if you were to approve the recommendation as written.

>> Councilmember Herrera: Okay, I'm on bullet point 2, second paragraph. A possible approach to address this concern would be to leave the Medicare retiree plan structures and LCP lowest cost plan alone. So they -- so there's no change then?

>> Councilmember, that change was I believe a change being referenced there was the change that the council approved back in June. When it came before you on item to specifically an ordinance to defer the lowest cost plan being the new \$25 co-pay plan to defer that to implementation of January 2011. So effective January 2011 the new lowest cost plan will be the \$25 co-pay plan for actives. I believe that's what's being referenced in the memo is a suggestion or a recommendation to not do that but that action had been taken back in June.

>> Councilmember Herrera: What I was wondering though is getting back to Medicare it sounders like having employees that are eligible to sign up for Medicare is a good thing for the city. And do we know how many are eligible and haven't signed up that are eligible in terms of retirees that could qualify for Medicare?

>> Councilmember, we don't have exact number with us right now but I do know it's not a large number. But to the extent that there are people doing that there's a significantly cost savings, cost to the city for them not doing that. But I do know that it's not a large number of retirees.

>> Councilmember Herrera: So that's something that's a voluntary thing for the employee, we can't force them to sign up for Medicare?

>> Mark Danaj: Councilmember, I would first say that the employee has to be eligible for Medicare.

>> Councilmember Herrera: Let's say they're eligible.

>> Mark Danaj: Currently the retirement department doesn't require them to sign up and assign it to the city. But we are spending time researching that issue with the city attorney's Office to better understand why it is that we don't do that. We believe we have some information on how we used to do it in the past and it may be something subject to meet and confer.

>> Councilmember Herrera: I guess my concern is if we are wanting to incent people to do it, there's a belief for retirees that there is a difference between Medicare the way we are going to be handling this, if there isn't, can we structure this for the retirees so that there is an incentive to sign up for Medicare which is a win for everybody?

>> Mayor Reed: Let's get a couple of comments from city attorney and maybe city manager.

>> City Attorney Doyle: As Mark indicated, we are discussing the issue. It may very well be that your existing contracts and the contracts with the health provider -- I mean the insurance companies require that the retirees sign up for Medicare, and that isn't a change.

>> Councilmember Herrera: Okay, so I mean, if it isn't a requirement, then I would like us to explore how we could provide that incentive if that means a different plan, or a plan that's more to their -- more acceptable to the retirees and it saves us money, then I think that's a win win.

>> Mayor Reed: Before you move on, City Manager.

>> City Manager Figone: And the staff can clarify this councilmember as we move along, but I really think we are going to need both. The only way we can truly affect cost on the retiree side at this point in time is through plan design. Plan design for the actives which then drives the costs on the retiree side. And so although it's not popular I think it's very important for keeping our costs controlled and then in materials of the retiree discussion or the Medicare discussion I think that that is very important to pursue and could really help our retirees in addition to the city.

>> Councilmember Herrera: My other concern is not all retirees are equal and there's retirees that have been in retirement for some time and probably could be considered low income. I think it's already been -- that's already been brought up and so I guess I'm wanting to understand if there is any way that we can consider them in a different category than the actives. If we're looking at a particular level of income. It's just a question I think it's already been asked but I want to say I'm also concerned about that. Can retirees now continue to get, under Medicare can they have Kaiser advantage or am I -- am I understanding that correctly, are they now looking at a different program for Medicare?

>> No, that is correct. Currently, any retiree who has Medicare can also then get the Kaiser advantage and that would be at no cost to them because it would be covered under they would just be paying the Medicare.

>> Councilmember Herrera: Okay, and I just want to also say how supportive I am of the wellness component. And I commend you for keeping that in our health care program. I think that's something that is going to have to be evaluated as we go on and as we gain experience but it certainly is obvious from the numbers. I wrote down some of them but the slide that you had up that looked at the individual contributions of cost for

smoking, for diet, I mean if you take those and you could you know take those numbers and apply them locally, we'd probably get some percentage of those costs that are occurring over the long term in the health costs in our city. So I think wellness is the way to go. But I any we need to work with our retiree population and see what we can do to support them. Because as you noted one of the issues is as we get older and some of us are getting older by the minute as we speak here, you know we're using health care and so I think it's to our advantage here to work with them and try to make sure that people can take advantage of wellness and recognize in our retiree population that some are low income. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor and my colleagues asked most of the questions that I was going to ask around the retiree so I won't repeat myself. I just wanted to say that I reiterate some of the support and figuring out how we can work with them and I appreciate the presentation, because you did bring to light some good points. I also am very encouraged and impressed with the wellness program and it is shocking to see the numbers on this slide, on the three areas that can be challenging I think for some people. And I'm looking at the unhealthy eating. I think whether you are active or try lead a healthy life with other things I think we can all at some point in our life fall into the unhealthy eating especially with the hustle and bustle of our lives. And I appreciate this. What we do as a city to make sure that our employees are healthy in providing access to health care is very important. So I just wanted to chime in on the comments that my colleagues had made as well.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: One other quick side comment. Couldn't we offer the city employees an opportunity to have a free membership at the Roosevelt community center down the road? That's already a fitness area. Every time I've been there, there isn't a ton of folks. There is room for people to exercise.

>> Mark Danaj: Yes, councilmember, that's a very good point. I'm not sure we can offer free, but I know we are very close partners with PRNS. PRNS has frankly in some respects taken a leadership role to come and be more

of a partner with us. We do provide access and advertise the availability and the location of those centers. For the population.

>> Councilmember Oliverio: Maybe feedback offline but that seems like it's so close and already built and it's a really nice facility, it's brand-new, it might behoove us to offer that as an option, versus building out something grandiose here. .

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I just thought it would be an opportunity to give a shameless plug for the American Diabetes Association step out walk to fight diabetes. It's occurring on October 10th right here in downtown San José. You can walk or run, 1, 3 or 5 miles with thousands of your friends in downtown and beautiful sunny San José and best of all you get a tee shirt. So I hope folks will join me in that endeavor.

>> Mayor Reed: I'd like to take the public testimony at this time. Please come on down when I call your name. Joe Bass, Dorothy McGinley and Anita Fagan.

>> Good afternoon. My name is Joe Bass, city retiree and representing the San José city retired employees association. Bob Leninger, our president, regrets that he's not here and so do I. Each one of you have received apparently the letter that Bob sent to the mayor and it pointed out four areas of concern that we as retirees have. You have that before you. I won't take the time to reiterate unless you have a question about what he meant. I will say one of the things we all are dealing with is perceptions and reality. Perceptions, most perceptions are formed by our popular media and if you go by the popular media, most people in our city think city employees retire with 80, 90, 100,000 pensions and have free health care. The sad reality is that's not true for everyone. There is a threshold for all of these. Health care don't kick in until you serve 15 years. I don't have raw numbers but a lot of our employees obviously don't work that long and a lot of them work in low paying jobs. So when they do retire their salary and pension are on the low side. And many of them I don't have a number but many of them are in the poverty area. I thought about the question that Councilmember Liccardo posed, while I

was sitting in the audience. I don't have a firm answer but I can think of all of -- a lot of issues that come into play as to whether you talk about, what was the term you used as far as means testing. There's so many aspects to this plan. To our plan in the city that would have to be taken into consideration. Yes, we are forced to take Medicare. The insurance companies require, city retirees to sign up for Medicare when you get to that age, 65. And you also have to pay for Medicare premiums each individual. A man and wife pays two premiums. And Medicare pays 80% of your primary bill, which they determine the fees for, a lot of doctors and hospitals don't like that and the insurance company picks up the remaining 20%, assuming there's no big issues or contradictions.

>> Mayor Reed: Sorry your time is up. Time for Dorothy McGinley and Anita Fagan.

>> To answer your question, thank you Mr. Mayor.

>> Good afternoon, my name is Dorothy McGinley, and I'm here also to speak on behalf of the letter that Bob Leninger wrote. And basically I want to tell you, we take this wellness business very seriously. Today when I woke up I had my typical breakfast of steel cut oats, blueberries and soy milk, and then after that I went to the gym and worked out for an hour. So we as an organization do definitely speak to the issue of wellness and health, and living a healthy live, and we take that very seriously. But aside from that we represent -- I'm on the board of directors for this retirees group and we represent most of the Federated and the Federated system. And many of our retirees are very low income, as you've already addressed that issue. And putting 40% are at or below the extremely low levels of poverty determined by the city housing department. And to ask them to make a -- pay -- make a co-pay basically what you're asking is that they either -- they make a decision as to whether they're going to have food that day, in some instances or go to the doctor to take care of a limp or some kind of an ailment that they have and that's just an unfair burden to put on people when they're income is so limited. So -- and it's very sad for me to see, and to be here today discussing this. Because as is very apparent and as we all know, the United States has one of the poorest health care systems in the industrial world, and most other industrial nations take better care health care wise of their citizens and they feel a responsibility and an obligation to do that. And I think that this city and this council has the foresight and the determination to help the United States become again a symbol of excellence in health care. Thank you very much.

>> Mayor Reed: Anita Fagan.

>> Honorable mayor and city council members, my name is Anita Fagan and as a retiree of this city after 30 years of service, I am now helping to represent over 1700 retired employees on the board of the San José retired employees association. As our president, Bob Leninger has conveyed in his letter to all of you, we have concern about health care for retirees. And I'd like to reiterate a few points in his letter. One situation is that single members are unfairly charged with additional funds, when they are covered by Blue Shield PPO Medicare plan. Keep in mind that many people when they retire are still married. But as soon as one of the spouses dies, you become single. I know that firsthand. The single person premium warrants further investigation. The retired employees association has worked very hard to share information about cost management, as you've heard from Dorothy McGinley and Joe Bass and the letter from Bob Leninger. We have monthly meetings where we share information about wellness, we have speakers from both the city and the health plans themselves and we also talk about exercise diet and alternative medicine. So we are very supportive of trying to control costs in the health field. There are two things that I'd like to set the record straight about that I've heard today. For one thing, I heard the Buck consultants indicate that retirees should be required to get into Medicare by the age of 65. Please be reminded, when I started with the City of San José in 1977 you did not offer Medicare, so I am not eligible for Medicare. When I turn 65 I will have to pay additional money in addition to the Medicare premiums.

>> Mayor Reed: I'm sorry, your time is up. I want to see if the staff has anything to add, City Manager has some comments.

>> City Manager Figone: Just a couple of comments, and I respect all the speakers, I worked with them all over the years and I look forward to enjoying this retiree health care at some point myself. But I do think it's important to remember that our retirees are enjoying a benefit that hasn't been funded quite frankly, and many of them are -- weren't contributing and the council knows that we are currently now dealing with a \$1 billion unfunded retiree health care liability. And our actives are the ones who are now paying for that liability. So I think we just have to keep this challenge in perspective in terms of the funding level. Also a means test if we were to proceed there

would have to really consider all income. Not just income from the city. And then finally, and I don't know if the staff already addressed this, currently we have a blended rate for our health care. And so our retirees are actually enjoying the benefit of a blended rate. Which pools the cost of actives with retirees, otherwise the retiree rate would be higher and also the cost of the retirement plan. So the city would not be completely exempt. But staff, I don't know if you did comment on that but I think we should make that clear.

>> Mark Danaj: I don't believe we did specifically either but that is the case. So we do have a blended rate when we go out to the marketplace, providers look at the retire pool of our experience they look at all our actives, all our dependents, you all our retirees and their dependents and come up with a cost of providing health care cost to the city. Indeed there's an implicit subsidy it's called, it is a blended rate where we are blending the rate of actives with retirees. The natural result of that is that the retiree rate is lower than it otherwise would be and the active rate that is paid by the city budget is higher than it otherwise would be. I would also just lastly just comment to the, and thank retirees that spoke that their participation in the wellness programs and promotion of it is true and it's very helpful. Just like plan design can be important, so is wellness equally on the active side as it is on the retiree side.

>> Mayor Reed: I had a question about the unfunded liabilities which exceed \$1 billion. I forget if it's 1.4 billion or 1.2 billion. Could you just give us the status of where we are in funding those retiree health care costs? Alex isn't here and budget office is not here but --

>> City Manager Figone: Well mark let me try and then can you fill in. We have reached agreement with all of our unions as I remember it except for fire, to ramp up to a full funding model within five years, I think we've just finished the first year of that. But that does not mean in five years we'll be fully funded. It will take another 30 years of that you know whatever we end up ramping up to, assuming costs will stay the same, and I don't know that they will. We will not be funded for another 30 years.

>> Mark Danaj: That is largely correct. It is a 30 year plan. We have agreement with active employees to increase their contribution as well as significant increases to the City's contributions to pay for the unfunded liability associated with retiree health care that already exists.

>> Mayor Reed: Thank you, City Manager. Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor. I was wondering if you had any comment from the last statement made from the last speaker, since she had not had Medicare since she joined, could you talk a little bit about her comment?

>> Mark Danaj: Thank you councilmember. It was not the idea to force employees who were not eligible for Medicare to pay exorbitant premiums to get Medicare. The idea is that we have employees that are eligible for Medicare that in those instances as a provision of providing health care as a retirement benefit they would be required to sign up for Medicare because they're eligible and assign that Medicare to the city.

>> Councilmember Kalra: So that distinction is recognized then.

>> Mark Danaj: Yes.

>> Councilmember Kalra: Thank you.

>> Mayor Reed: Any other questions? We have a recommendation, multiple items, three items, could take those all in one motion unless somebody wants to divide the motion for purposes --

>> Councilmember Pyle: Move to approve the recommendation.

>> Councilmember Chirco: Second.

>> Mayor Reed: We have a motion to approve the recommendations all three of them. Further discussion? All in favor, opposed, none opposed, that's approved. Thank you very much. I'm sorry, that was -- let me just clarify on the motion. We were considering item 3.2 which has three items so on item 3.3 which is the dental plan, which didn't get much discussion, is there a motion on that? Motion is to approve item 3.3, delta dental plan. All in favor, opposed none opposed that's also approved. Thank you staff. Item next on the agenda would be 4.1 public hearing on consolidated annual performance evaluation report. And an analysis of impediments to fair housing choice and a citizen participation plan. We are opening a public hearing today but we'll not take action today, we'll take testimony, such as it may be, and then we will continue and take up the approval of the items on September 28th. So for purposes of today, we're considering the information that's provided in this plan is the same as the federally mandated five year consolidated plan but covers a single fiscal year, the CAPRS, it's called, and the analysis of impediments to fair housing, AI, and the citizens participation plan, CPP, will ensure compliance with the U.S. Department of Housing and Urban Development's reporting requirements. Drafts of these documents have been made available for the public comment since August 30th, 2010, and today is the public hearing to get any comments the public wishes to make and then we'll continue the hearing to September 28th. So do we have any requests from the public to speak on this item? We have no cards. Anybody wishing to address the council on these plans? I see no cards. Nobody's moving this way. So I'm assuming there is no public testimony. So that will conclude our work on this for today. We will take this item up on September 28th. And the last question I have is do we need a formal motion to adjourn until the 28th, or is that already agendized?

>> City Attorney Doyle: It is noted that it is to be continued to the 28th.

>> Mayor Reed: Okay, so we don't need a motion today. Any questions or comments from the council on this before we move on? Seeing none, that concludes item 4.1. I'll take up item 4.2, agreement with San José Convention and Visitors Bureau for a 90-day extension of the contract for managing our contract.

>> City Manager Figone: There is no report from staff today.

>> Mayor Reed: We have a motion to approve. Any requests to speak? None. Dan Fenton sitting silently in the audience. We have a motion to approve. All in favor, opposed, none opposed, good job, Dan. Very persuasive. Item 4.3. Agreements regarding the former FMC property located at 1125 Coleman avenue, currently known as airport West more or less, parts of airport West. We have a motion to approve the staff recommended 90 day extension of the option period. Any cards? No cards. We have a motion to approve. You've, opposed, none opposed so that's approved. Taking us to open forum. We do have a meeting this evening, of course. And we're not done for the day. We have no cards under open forum so that concludes our afternoon agenda. We will recess until 7:00 p.m.

>> Mayor Reed: Good evening. Good evening. Good evening. I'd like to call this meeting to order. Modify the sound, please. Hello. Good evening. Good evening, good evening. Now we're getting sound, all right. I'd like to call the city council meeting back into session. We've had a couple of other session earlier today, this is the evening session for those of you who didn't notice. We will start our evening session with some ceremonial items and the first item of business we'll take up is item 9.1, actions related to major league baseball. But we'll start with ceremonial items. I'd like to invite Councilmember Constant, Mark Phillips, David Roberson, and Mike Amacarelli to join me at the podium. Tonight we're commending the Moreland little league for helping to maybe their sports fields more accessible to people with disabilities. Councilmember Constant has some more details.

>> Councilmember Constant: Thank you mayor. We're very fortunate in district 1 to have the Moreland little league that's kind of the center or the hub of our youth sports activities in West San José. And the Moreland little league has better than around for a long time. Last year they celebrated their 50th anniversary. Which was wonderful for everyone in our community, especially at our house, my son was playing, it was great for him to be there not only for the celebration, but to be there with his grandfather on his mom's side who played on one of the first teams 50 years earlier. It is a great family event for us to have, and Moreland Little League's become a big part of our life in the constant household. We're here tonight to talk about a project that some of these guys here dreamt up last year and wanted to find a way that they could make their facilities for the Moreland little league even better. And one of the things that they found is that there were parents, grandparents and family members of the youth that were out there playing that couldn't come out and enjoy the ballgame because they had no way to get there because of their disabilities. They couldn't get their wheelchairs through the gravel out to the fields, they couldn't get out there with their crutches and it was a very uninviting place for people with disabilities. So it was wonderful when they came up with this great accessibility project. And it involved a lot of hard work. I have to look at my notes here, but it was hundreds of hours to lay 4800 square feet of pavers. It took multiple volunteers, multiple days to do that and a lot of money. It took \$14,500 worth of community donations to be able to put this project together. We had David Rossi of Tucker engineering, Mike of MA landscape who is here, the Amore foundation, the health trust and the City of San José was able to pitch in a little bit too, to really take what was a

community asset for some and make it a community asset for all. And it was wonderful, the first day of the season where we had the pavers in and to see parents and grandparents in wheelchairs that could get right up there to the ball field. And for the first time watch the kids play ball. It was a wonderful experience and we've also even had the opportunity now to have a disabled league now come and use the field as well. So we're here today to say thank you from the entire community for not only the vision you had but the wherewithal to put that vision into action. To get not only the people but the money cobbled up and do something that has made a tremendous difference in the lives of so many people. With that the mayor has a commendation for you from me, the mayor and the entire city council. [applause]

>> Okay, I'll be brief. I want to thank Councilmember Constant and Mayor Reed for recognizing Moreland little league tonight. I can't tell you how proud I am for what we've been able to do in two short years. And our small little spot here in San José. These two gentlemen here have pretty much driven all the improvements on our complex which we lease from the Moreland school district. So we don't own the land. We don't have any rights or title to it. But we're trying to improve it. So our entire community can best and participate in little league baseball. Councilmember Constant talked about it just briefly but what we're excited going forward is we've opened our little league complex not only to the community but the challenger league, which is the mentally and physically challenged children, we can utilize our little niche of San José and watch those children play little league baseball. It should be fantastic. So thank you. [applause]

>> Mayor Reed: I'd like to invite Councilmember Nguyen, Amanda Aldama, and members of the youth advisory commission to join me at the podium. And as they're coming down, we're going to commend the District 7 youth advisory commission for winning the mayor's gang prevention task force crime and gang prevention summit PSA competition. Councilmember Nguyen will have some of the details on that.

>> Councilmember Nguyen: Thank you, Mayor Reed. Good evening. I am proud to present to the city council and also to the community, the creators of the mayor's gang prevention task force 2010 crime and gang prevention public service announcement. These individuals, and if I can just shout out, give a shout out to all the ones who are here today. Amanda Aldama, Patsy Cortez, Roberto Morillo, Sonia Trujillo, and I know that two are

not here, but I'm going to name them anyway, Regini Sharma and Raymond Incarnacio. These are the talents behind this year's PSA. As many of you know the mayor's gang prevention task force subcommittee engagement group added a youth component to this year's summit to encourage young people to become active partners in the fight against crime and gangs. Even though San José is one of the safest big cities in America, gangs and gang related activities continue to service in our community. So we thought what better way to get the message to the community than through the participation of our youth. So earlier this year we challenged each of the council district youth commission to develop story boards to create an antigang public service announcement. So with fierce announce that district 7, the district that I represent, the youth commission advisory who are here with us today won the story board development contest with the theme, ignorance isn't bliss which has been developed into an actual public service announcement which we will display and send out to the various high schools and community organizations and groups throughout our city. Every council office should also receive a copy of this PSA, and we also have copies up there by the table where you validate your parking ticket. So on the way out if you can just pick up a copy, this is a PSA that you're going to see throughout the year. So this time I'd like to ask Mayor Reed to present the commendation to Amanda Aldama who will accept the commendations on behalf of the district 7 youth commission. Please give them a round of applause. [applause]

>> Thank you very much. This was definitely a collaboration between my youth advisory council and the Mayor's gang prevention task force on the creation of a story board, and then also, a collaboration with the District 3 youth advisory council and Create TV to actually be in the actual PSA. And the reason we really wanted to do this is because we wanted to not only raise awareness about the issue about gang violence but also raise awareness that it is very negative to be ignorant of your environment. Everyone has a responsibility to step up and take action for the safety of our communities. Whether we realize it or not it is something that affects all of us and we really should be responsible and step up to that. So again, thank you and please take a copy outside.

>> Mayor Reed: Thank you. [applause]

>> Mayor Reed: Now I'd like to invite Councilmember Oliverio, Terry Riley, and Beverly Rose hopper and friends of the San José rose garden to join us at the podium, along with Julie Edmonds-Mares and Jeff Gomez of our

PRNS department. In case anybody missed it, we have the best rose garden in the country. We're going to talk about it a little bit tonight. Come on down, folks.

>> Councilmember Oliverio: Thank you, Mayor Reed. Tonight we're here to present two commendations. The overall is we have this number one rose garden in the United States. And that came to us -- [applause]

>> Councilmember Oliverio: And it was a hard earned gift that came to us through the fruits of community partnership. One was our incredible unpaid volunteer staff, that with partnership with our highly skilled dedicated park staff, together to create San José's best rose garden, or the best rose garden in the United States. The first commendation we want to present is to the friends of the San José rose garden. I'd like to invite Terry Riley and Beverly Rose Hopper, the founders of the friends of the San José rose garden to say a few words. [applause]

>> Wow, what an incredible journey. We're here for three reasons. About three years ago, we had a very supportive councilmember and senior parks staff that realized that the status quo wasn't working in some of these parks. Second reason was, we came up with some crazy ideas, Beverly Rose Harper and I and Mike Will who was with the park staff on what could really happen in a garden and a park like this. And the third reason is because all the countless and dedicated volunteers that we have here, that the city's given an opportunity to recreate in the parks and work side by side with the partnership with the city staff. And it's a real testament for looking into new ways of doing things. And I want to thank everybody from those that have come out for the very first time, once in the garden, to those that have 100 hours and 1,000 hours volunteering here. Thank you. Beverly.

>> And just to add to that, we've had over 3,000 volunteers from across the Bay Area and beyond, all ages, and ability. That's a beautiful thing. And we've contributed over -- about half a million dollars worth of products and services to the City of San José. But again, it as Terry mentioned, it's not just the volunteers, though this is a few of them, just a few of our wonderful volunteers, also the park staff some of who are up here with us tonight. And also we want to thank the mayor and the entire city council for being so supportive. Because it is a true partnership and we thank you from the bottom of our hearts. And, America's number one, San José! [applause]

>> Councilmember Oliverio: If you haven't been in the park I please recommend that you go, that you visit again. It is truly a tourist attraction that brings tranquility oops romance more than others. The other commendation I want to have our assistant parks director, Julie Edmonds-Mares, present, is to our dedicated park staff, folks like Jeff Gomez, Lance, Tom, James, Mike Will, to name a few, that have really gone out there and partnered with the community and made it the best it could be. We couldn't have done this alone. It couldn't have been done with city resources alone. It couldn't have been done with volunteers alone. It had to be a partnership to get this together, and we're successful at that. But at this time I'd like to have Julie Edmonds-Mares present the commendation and say a few words.

>> Thank you, and if Jeff Gomez could join me. I'd just like to echo everyone else's sentiments of the wonderful partnership that we've created at the rose garden and thank Terry, Beverly, and all of the 3,000 volunteers, in addition our park staff, Lance, all the park staff come up. Jeff Gomez, Lance Loveday, Tom Brusch, James Viejo, Mike Azavedo, Randall Mendez, Hugh Lichens, Brandon Casper, Molly Tobias, and Mike Will really created a partnership with the volunteers that is envied by many and emulated by few. Congratulations.

>> Mayor Reed: Congratulations everyone. I'm going to just close it out by saying without the leadership of Councilmember Oliverio this wouldn't have happened. Occasionally when I get new councilmembers, they say the way we used to do it maybe isn't good enough, we ought do it a different way. And that's what we did. We did it a different way. We've shown how it could be done. I want to thank everybody, staff and volunteers for making it work. Congratulations. [applause]

>> Mayor Reed: Next I'd like to invite Councilmember Herrera who is here and some members of Overfelt high school down to the podium. Joseph Albers, Colleen Montesano and Vito Chialla join us at the podium, along with a few other people who have already received some certificates earlier this evening. Councilmember Herrera is going to tell us what this is all about.

>> Councilmember Herrera: Thank you, mayor Reed. Just a few minutes before this council meeting started it had the pleasure of having the 2010, 132 graduates of William C. Overfelt High School's Camelot Summer Institute here for a little reception. These students came from middle school and entering freshmen from Overfelt high school, along with them brought their parents teachers and sponsors. As many of you know I'm graduate of Overfelt so it's with a lot of pride that we've invited them here tonight to honor their accomplishments. It is always rewarding to see the good work done at my alma mater. In the last few days, I don't know if you heard president Clinton interesting statistics and least well-known is that twice the number of -- there are twice the number of job openings now, as there are applicants ready to fill those jobs. That's a very significant statistic. What that means is, we have to make sure that we prepare our young people so that they will have the skill sets necessary to take these jobs that are going to become available and that means making sure that they have the math skills and all those basic skills. And that's exactly what this Camelot summer institute is providing. It is a summer bridge program at Overfelt, designed to advance the academic skills of students who are below and above grade level. It gets people right when they're coming out of middle school to make sure they're prepared when they start that freshman year to tackle algebra 2, to tackle geometry, to tackle math, it allows them that successful transition. The institutes instills the importance of going to a four year college. They also take them on community building field trips, mentorships with upper classmen and college students, and college residence curriculum. This summer alone the Camelot summer institute's commitment to education allowed it to advance the mathematical skills of 132 students. The students' efforts are an outstanding model that will set a precedent to other students at Overfelt as they have contributed to the success of the program. I want to thank and congratulate Joseph Albers, one of the coordinators, Vito Chiala, Overfelt's principal, and last but not least, the Camelot Summer Institute 2010 graduates. And now, can I have all of those graduates stand up, the ones in the audience out here, to join the ones here, stand up, and hold up your commendation. And let's give them a hand. [applause] Congratulations on your extraordinary devotion to academics and completion of the Camelot summer institute, 2010, keep up the good work, royals. And with that, I'd like to invite Mayor Reed to present the commendation to Mr. Joseph Albers, and Joe will have a few words.

>> I first off want to thank Councilmember Rose Herrera. It is a great to be part of the initiative 2020 to close the achievement gap, to be the first major city to close the achievement gap. And here part of Mayor Reed's efforts

here, this program is very essential for helping our students advance. I want to congratulate and recognize our grade students who spent most of their summer advancing in math to prepare for college. A few additional statistics about our successful students this summer. 52 students passed geometry are starting in algebra 2. They will be able to take calculus BC by their senior year. 53 students passed algebra 1, they are taking geometry currently, and they will be able to take calculus AB by their senior year. An additional 44 students moved out of support classes so that they could take more college-ready courses and out of remedial courses. We hope the success this summer is a springboard for success throughout the years at Overfelt high school for our students who go on to universities. This success would not have been possible without the hard work of our fantastic Overfelt teaching staff, our college tutors, our lead counselor Ms. Montesano, and our dedicated principal, Mr. Chiala. I also want to recognize the invaluable contributions of our supporting partners. A learned with donations from Applied Materials and Glick Bark Foundation. Cal soap, gear up, and project inspire. We would also like to recognize east side union high school district and superintendent Dan Mosier for the support for funding a majority of this program and showing dedication to prepare students for university success. Thank you very much.

>> Mayor Reed: Dan Mosier is here. Wave, Dan, thank you very much. Congratulations. Having been the parent of middle schoolers and high school kids I know that the parents do a lot of work to get you this far. I want to have all the parents that are here, parents stand up. Come on parents, I know there are a few here. Stand up, thank you, thank you, thank you. [applause]

>> Mayor Reed: The first item of business this evening is item 9.1, actions related to major league baseball. This is a joint city redevelopment agency item to consider resolutions. Yep, we have a motion. Is there a second? Okay, we have a motion to approve the two resolutions of support for getting the A's into San José. I have some requests from the public to speak on this item so we'll take the public testimony at this time. Michael Mulcahy. Please come on down if you can get through the traffic. Michael Mulcahy and Susan Hammer. If you submitted a card on this come on down. I'm going to get to you very quickly here.

>> Mr. Mayor, city council, thank you so much. Well, since you will be reaffirming your commitment to major league baseball. Baseball San José thought we'd show up to reaffirm our commitment to help make you do it and help support make it happen. I'm joined here tonight by other members of baseball San José its leadership as well as its volunteers and I'd also like to recognize our partners some of here are not here tonight. The Silicon Valley leadership group downtown San José association, building and trades council, San José sports authority, San José Silicon Valley chamber of commerce just to name a few. You know, I'm not a Giants fan, a San Francisco Giants fan. But I am hoping that they make the playoffs. Because it will really show, yet again, what baseball can do to energize a city. So let's root for the giants and lets keep pushing for the A's. We're going to make it happen together. Thank you very much. Keep pushing.

>> Mayor Reed: Susan Hammer and then Paul Higgins.

>> Mayor, members of the council, like all of you I assume and many people in this room and thousands and thousands of people in the -- that live in the City of San José, I am growing very impatient with the snail-like pace of major league baseball and their decision-making process here. But you know, we're going to stay the course. We are working very, very hard. We believe that we have got people who are just chomping at the bit literally to begin walk precincts, collecting signatures or having you put this measure on the ballot. So we're ready to go and, you're going to hear from Paul, our staff person, with some statistics about what he's been up to and how we have got -- gathered support throughout this city. So even though we're impatient, we're not deterred, we are going to work hard and fight for this until the bitter end. And I really want to thank each of you with all that you have on your plates for your continuing support, and together I think we're going to be successful eventually. Thanks a lot.

>> Mayor Reed: Paul Higgins and then Michael Pelzel.

>> Good evening. My name is Paul Higgins, and I'm the coordinator for baseball San José. In the last I spoke to all of you I had just started. Since then, we have been very busy opening our office in Willow Glen, increasing our outreach efforts as well as our supporter base. In and around the community we've been talking to people and

organizations about baseball San José. Our efforts for hoping to bring baseball to San José and answering any questions you might have. You might have seen us at local festivals including the jazz festival and the Santa Teresa community fest and farmers markets, both in downtown, and yes, Los Gatos. No matter where we've gone there's been enthusiasm for the efforts being put forth to bring the A's here. Everyone understands the impact they would have not just on San José but all of Silicon Valley. We've even received press coverage about baseball San José, or baseball in general, in the Mercury News and the Almaden Times for which thanks go to Councilmember Pyle and her staff. Additionally, two weeks ago with the help of the Silicon Valley Leadership Group, 75 Silicon Valley CEOs signed a letter to commissioner Bud Selig expressing their support for a downtown ball park to house the A's. Earlier this month more than 60 people showed up for a tour of the proposed ball park site with many more expressing their regret for having missed it. As you can tell we've been very busy and plan to continue our efforts, while we await the decision by Major League Baseball on the territorial rights issue. We understand the importance of this work and we want to ensure the strongest possible base of supporters, for what we hope will be an election next year. For those of you who have already joined our ranks, they eagerly await the opportunity to share with the rest of San José why a downtown ballpark and San José and an A's move is so important to them. If you haven't all right done so please visit the baseball San José Website at www.baseballsanjose.com, and to keep updated on our progress, to join our e-mail list, or to become a member of our Facebook group. The effort of Baseball San José will be strongly strengthened with your support, so please spread the work, and let's make this thing happen.

>> Mayor Reed: Michael Pelzel followed by Daniel Delahote.

>> Mr. Mayor, councilmembers, my name is Michael Pelzel, and I'm an equity analyst for a firm in San Francisco and board treasurer for the Daibusai which is located in Willow Glen. While I'm not a resident I'm a baseball enthusiast who recognizes the positive developmental, financial and economic impact the A's move in San José would have on the entire South Bay region. I appreciate your continued support on this issue and feel that San José should be the leadership capital of Silicon Valley. I look forward to the opportunity of supporting an election in San José as well as recruiting others from Los Gatos to help, thank you.

>> Mayor Reed: Danielle Delahote, Kimberly Lee Brady.

>> Good evening, mayor and councilmembers. First of all, thank you for all your work, all your very hard work on behalf of the stadium effort to bring the A's to San José. As the Silicon Valley Leadership letter showed, there's strong support in the board rooms of Silicon Valley to bring the A's to San José. But I'm sure you're also hearing strong support in the streets from your own constituents all around the city. We're talking to them at various festivals whenever we can on Facebook through all different forums, and we're hearing really positive things about this. The city wants it, citizens are really anxious for it. And hopefully Major League Baseball will hear them very, very soon. So I just want to congratulate you again on the work thus far. The competition, if they can be called that, is nowhere near the point we are, so again, you should be congratulated for all your work and thank you very much.

>> Mayor Reed: Kimberly Brady and then Dave Roberson.

>> Hi Mayor Reed, members of the council. Kimberly Brady, vice president of the San José downtown residents association. On behalf of the membership, which consists of people who live in the downtown core, I would like to express our appreciation of your committed due diligence and your efforts to bring major league baseball to San José. Your actions tonight go a long way toward reaffirming your unwavering support and the negotiating principles that we hope will help bring the A's to San José. I'm proud to say that we are in good company and wish to go on record along with so many others including the downtown association, Silicon Valley leadership group, San José Silicon Valley chamber of commerce, San José Convention and Visitors Bureau Baseball San José and last but not least A's owner Lew Wolff, in urging Commissioner Selig to finally allow the 10th largest city in the nation to have control over its own territory and the rights that go along with it. Baseball enthusiasts from San José and around Silicon Valley deserve to champion their own team. We don't have to look very far to see that we have some of the most passionate and loyal sports fans anywhere. A short walk down Santa Clara street during hockey season says it all. And we are certain that baseball will serve to further enhance our camaraderie community and quality of life. With that our association continues to be optimistic and excited about having the major league team that we can finally call our own. And we ask that we be allowed to walk the walk, once and for

all, to finally prove to Selig, Major League Baseball and the world that a better venue, richer climate, and more devoted community simply cannot be found anywhere outside San José. Thank you.

>> Mayor Reed: Dave Roberson.

>> Thank you, Mr. Mayor and councilmembers, as a lifetime San José resident, as a member of Moreland little league in West San José, and as a treasurer for pro baseball San José Inc. and Baseball San José I want to thank and congratulate all of you for your courage and conviction and your support for bringing the A's to San José and your continued pushing the envelope to do so. This city and this area deserves this endeavor, and we need it, and we need you to continue to push the envelope towards that goal. I really would appreciate it on behalf of everybody that I've talked to every single baseball fan that I've ever ran into every single person that I've ever spoke to this is in favor of this and have you continue to do this thank you very much.

>> Mayor Reed: Thank you, that concludes the public testimony. We do have a motion to approve resolution both for the city and the redevelopment agency board. In front of us. I had a couple of comments. First, there's no day that goes by, where I don't hear from people about budget and jobs. The need to have more city revenues and the need to create more jobs for the people of our city. This particular project is a proposal for \$460 million private sector investment that will generate thousands of jobs and millions of dollars a year of revenues for local government. Probably about \$3 million for the city and redevelopment agency combined another couple of million dollars for county and school districts. That's a really big deal. And it would -- the jobs are not just construction jobs which are vitally important to the construction industry with about a 35% unemployment rate, how about permanent jobs, part time jobs all kinds of jobs that will be good for our community. That's one of the reasons I'm excited about this besides the fact that it will be great to have a baseball team. It would certainly be great to have both of those things in our city. I will be talking to Bob DuPuy again after this resolution is passed to touch bases, see how the commissioner's feeling, see if there is a timetable, can we pick a date for an election, you know, questions like that, things you don't have the answer to yet. But the last time I talked to Mr. DuPuy, he gave us assurances that Major League Baseball would help pay for a special election in the spring. I'm looking forward to the spring. I'm not sure exactly when that means because spring starts in April and runs through June, but still in

the spring of 2011 would be a great time to have an election on this issue, and I will be talking to him about that. I've had many conversations with Lew Wolff since the council last took this up. He remains optimistic and committed. And after all, Lew is the person who has to come up with the \$460 million to make this happen. And he is continuing to press on this. And I'm cautiously optimistic we're going to get an answer very soon from Major League Baseball, and then we'll need to put all the people here tonight to work organizing around an election. And I especially wanted to thank Carl Guardino and the Silicon Valley Leadership Group and the 75 CEOs that signed the letter to Major League Baseball demonstrating some of the broad corporate support for a team in San José. I think there are a couple of the other councilmembers who have some comments, as well. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just wanted to thank Michael Mulcahy, mayor Susan hammer, Paul and the whole team. I think we've got an incredibly good team already assembled to make this happen and certainly with the assistance of the leadership group and all the other community partners, there is no question that in my mind we will be able to, to mix metaphors, get this ball over the goal line. My apologies for that. I also just want to suggest, Mayor, when you are communicating with the commissioner's office, I know they just unveiled a statue of the commissioner in Minneapolis. I'm very happy to unveil a replica here in Downtown San José if that will help prod the decision along.

>> Mayor Reed: I'll communicate that to Mr. DuPuy. Maybe two of them, whatever it takes. Any other comments on this? We've obviously had a few hearings on this. There's not much to be said except waiting for the commissioner which we are. On the motion, this is both for the city and agency, all in favor, opposed none opposed thank you very much. We appreciate the enthusiasm of our folks who are helping us. And we're just waiting for the word. Now, we have some public hearings on the land use to turn to. First item is 11.1, public hearing on consent calendar item. Any items the council would like to pull off the consent calendar? No? Is there a motion? Motion is to approve the consent calendar. All in favor, opposed, none opposed, that's approved. I have a question about 11.2. I know there was a request to defer it to October. I'm not sure we've accomplished that under orders of the day.

>> Joe Horwedel: That is my understanding Mr. Mayor is that the deferral would happen at the evening session just in case any member of the public showed up.

>> Mayor Reed: Is there any member of the public that wants to speak to 11.2 which is rezoning of real property at the west side of north third street? The motion is to defer to October with a date not specified, is that close enough for you Mr. Horwedel?

>> Joe Horwedel: I think it's October 26th is the evening meeting.

>> Mayor Reed: Evening meeting in October presumably the 26th. On the motion, all in favor, opposed, none opposed, that's approved. 11.3 is rezoning of real property on the east side of Senter road. The motion is to approve. Anyone here wishing to speak on this item? Nope? All in favor, I'm sorry, Councilmember Oliverio wanted to speak before we count the votes.

>> Councilmember Oliverio: Thank you mayor. I was just going to record a no vote. My continuing concerns on development that doesn't pay its own way, this project won't pay any property taxes to provide services and if you talk to any member of our public safety employees we know that these developments call for a lot of calls for service so I can't support this, thank you.

>> Mayor Reed: All right, we have a motion to approve. All in favor, opposed, one opposed Councilmember Oliverio. So that motion passes. Taking us to item 11.4 administrative hearing and consideration of appeal of Planning Commission's decision to approve a conditional use permit. On property, the description of that, make sure everybody knows what we're talking about.

>> City Attorney Doyle: This is on Foxworthy avenue. Mr. Mayor.

>> Mayor Reed: On Foxworthy avenue. We do have some people who want to speak on that. We'll take that public testimony in a moment. First any comments from staff from the council? Vice Mayor Chirco.

>> Councilmember Chirco: I'd like to hear the public testimony first.

>> Mayor Reed: David Delgado, are you the applicant? Let me get myself straightened out here. Who is the appellant?

>> Joe Horwedel: The appellant is Audrey Sunor.

>> Mayor Reed: We'll take the public testimony, anybody who wishes to speak, probably Michael Amaril.

>> Thank you for allowing me to speak this evening for a short period of time. Just to give a little history and background, my dad was a policeman for over 30 years. I'm going on my 38th year. I started when I was 14 years old. My son is a DA with the DA's office in Santa Clara County. I'm just saying that I believe -- I'm in support of the move for the Cambrian academy to move to that site. The enrollment will be about 60 people. I am familiar with that area. I have been traveling that area specifically for the last 12 years, and I've noticed the development there, and they're starting now at meridian and Foxworthy at that corner, moving west, and developing that area with condominiums and complexes and I think by bringing activity to that location, that private school will upgrade that area. Where if it's abandoned during those days where there's nobody there except for on the weekends I believe that you're welcoming vagrancy and malicious mischief and vandalism and unsavory type characters to be there. I'm in support of that location being able to move into there. I'm a resident of Willow Glen, been there for over 30 years, and I would like to see you support that. Thank you.

>> Mayor Reed: Thank you, our next speaker will be Jean Dresden.

>> Good evening, my name is Jean Dresden and it's nice to see you on a land use issue in the evening when I'm able to come and talk to you. I'm here tonight. One of my client families is part of this school and so I became aware of this issue. And with all due respect with Councilmember Chirco, I respectfully disagree with your request to add a 100 foot setback on the side so that children making noise at recess not offend the nearby resident. Most

of our public schools which do not have to submit to this permitting process have residences immediately adjacent. Every school that I ever worked with and both of the schools that are closest to my present home have immediately adjacent schools. With children playing right next to the fence. It's an unreasonable burden on the applicant and provides additional supervision. This particular group of children are grades 6 through 12. I understand subsequent -- subsequent applicant might have elementary children. But the noise is for short periods during the day. In my neighborhood there are residents who are suffering through the use of amplified music, 15 feet away from their fence line with their bedrooms 15 feet away with a conditional use permit that allows that until after midnight 12 times a year. I don't think lunch time and two recesses from children enjoying themselves is an unreasonable sound burden. And I respectfully request that you not follow Councilmember Chirco's recommendation for a 100 foot setback from this individual. Thank you.

>> Mayor Reed: David Delgado.

>> All right, Mr. Mayor, councilmembers, I'm David Delgado. I'm the student council president and interact club director over at Cambrian international academy and I'm here to support my school and represent the student body. I know that there are some concerns that we're going to bring some noise and mischief to the neighborhood. But we are very small school. We are very quiet students, a lot of us were -- and we're all here to learn really. Most of it's international students who have come here through a process, and just -- we -- and all of us know each other basically and we all keep each other in line. And the -- we've also got a great teaching staff and they help us behave very well. And I direct the-d most of the activities that will be going on after school. And parties during school. And we very rarely are making very much noise. Usually it's just inside a little bit of music. Nothing -- no screaming or sports outside. In fact the sports and the P.E. is on an entirely different site. So that's a nonissue as well. So I'm here to vow that we won't be making any trouble for our Foxworthy neighbors, and in fact the interact club is a community service organization sponsored by the rotary club of Saratoga. So we'll actually be bringing some community service to the area and benefiting the city. And yeah, that's pretty much it. And we're welcoming the neighbors' input on the subject of what we could do to serve the neighborhood. And be great neighbors. So thank you for your consideration.

>> Mayor Reed: I believe that concludes the public testimony. Was there anybody else who wanted to speak? That's all the cards I have. That does include the public testimony on this. Vice Mayor Chirco.

>> Councilmember Chirco: I would like to move my memo, that each of us has, and after -- if I can get a second then I would like to speak to the motion.

>> Mayor Reed: We have a motion on the floor. Vice Mayor Chirco.

>> Councilmember Chirco: Thank you very much. I know that we have been hearing from the neighborhood and so, in working with the applicant, the four points that are called out in the memo were -- to address the concerns of the neighborhood but also working in partnership with, I guess he'd be called the school director, the 100 foot was a recommendation by the planning director. These are really parking lots. They're not open fields. So to kind of get the middle of the road, what could we come up with that kind of met the needs of the school, and respected the neighbors, the proposed school wants to do business in San José the right way, and I applaud them for that. Unfortunately, the neighbors have been subject to a couple of less ambitious schools, and they left some negative feelings behind. And this particular school is having to address those concerns. So I think that the permit restriction to a cap of 95 students at this time, and these are all been discussed with the director of the school, also to designate a dropoff and pickup route, hopefully the purpose of this is to provide room for stacking and will help to keep traffic off the streets. I know Foxworthy is a very heavily traveled road. I'm suggest we add a few additional conditions. Most importantly I believe we should prohibit recess, just to build that relationship with the community, and having met with the director, that is his goal, and his school's goal. And having dealt with a childcare preschool facility a few years ago this was a strategy that worked very effectively. So I look forward to hearing good things develop in that community. We also suggest requiring the applicant to designate a contact who can address the neighborhood complaints. And they were absolutely upfront, that's what they wanted to do. So I do want to thank the neighbors for their advocacy. That begins the conversation with the school and the neighborhood. I want to thank the applicant for being a very responsible tenant and seeking the appropriate permits, which is I think where this problem came from. It had not happened in the past. So I think we have the

beginnings of a very productive relationship between the neighbors and the school and I want to encourage both parties to work together on issues that do arrive. So with that, I ask for my colleagues' support.

>> Mayor Reed: We have a motion on the floor. Further discussion on the motion? All in favor? Opposed, none opposed, the motion is approved. That concludes the land use agenda. Next item is the open forum. I have no cards for open forum. So we are adjourned.