

**MINUTES OF THE CITY OF SAN JOSÉ  
JOINT CITY COUNCIL /FINANCING AUTHORITY**

**SAN JOSE, CALIFORNIA**

**TUESDAY, JANUARY 13, 2004**

The Council of the City of San José convened in Joint Session with the Redevelopment Agency Board and the San José Financing Authority at 1:59 p.m. in City Council Chambers at City Hall.

Present: Council Members: Campos, Chavez, Chirco, Cortese, Dando, Gregory, LeZotte, Reed, Williams, Yeager; Gonzales.

Absent: Council Members: None.

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- (a) **Approval of non-construction operating start up plan and related costs for technology, furniture, and equipment to facilitate the effective and efficient operation of the New Civic Center; approval of associated financing plan; and direct staff to review options and return by July 1, 2004 with a recommendation for an interim space use plan. New Civic Center Project CEQA: Resolution No. 68905. New Civic Center Parking Garage CEQA: Resolution No. 71743. (City Manager's Office/Finance/General Services/Information Technology/Public Works)**
  - (b)
    - (1) **Conduct a Public Hearing of the City Council concerning the approval of the financing by the City of San José Financing Authority's issuance of commercial paper and/or lease revenue bonds in order to finance certain public capital improvements of the City, consisting of an offsite parking garage for the new Civic Center and non-construction costs for technology, furniture, equipment, and relocation services for the new Civic Center;**
    - (2) **Adoption of a resolution of the City Council approving and authorizing execution of certain financing documents, and as required by Government Code Section 6586, determining that there will be significant public benefits accruing from such financing and authorizing certain related actions in connection with the financing of an offsite parking garage for the new Civic Center; technology, furniture, equipment, and relocation services for the new Civic Center; and associated financing costs;**
    - (3) **Adoption of a resolution of the City of San José Financing Authority authorizing the issuance of City of San José Financing Authority Tax-Exempt Lease Revenue Commercial Paper Notes (the "CP Notes") in the not-to-exceed aggregate principal amount of \$98,000,000 and authorizing execution of a Trust Agreement and certain financing documents, approving an Offering Memorandum, and authorizing certain related actions;**

- (4) Adoption of the following appropriation ordinance and funding sources resolution amendments in the Sewage Treatment Connection Fee Fund: (Cont'd.)
- (a) Increase the estimate for Earned Revenue by \$2,400,000 to reflect the repayment of the loan to the City Hall Renovation Construction Fund; and
  - (b) Increase the Reserve for Treatment Plant Expansion by \$2,400,000;
- (5) Adoption of the following appropriation ordinance and funding sources resolution amendments in the City Hall Renovation Construction Fund:
- (a) Increase the estimate for Earned Revenue by \$600,000 to reflect the Commercial Paper proceeds;
  - (b) Establish a Loan Repayment to the Sanitary Sewer Connection Fee Fund in the amount of \$2,400,000; and
  - (c) Decrease the City Hall Renovation Construction Project by \$1,800,000;
- (6) Adoption of the following appropriation ordinance and funding sources resolution amendments to establish the Interim City Facilities Improvements Fund to account for the procurement of programming and relocation services, purchase of technology, furniture, and equipment, and improvements to existing facilities to implement the City's interim space plan and:
- (a) Increase the estimate for Earned Revenue by \$1,600,000 to reflect Commercial Paper proceeds; and
  - (b) Establish an Interim City Facilities Improvements appropriation to the General Service Department in the amount of \$1,600,000;
- (7) Adoption of the following appropriation ordinance and funding sources resolution amendments in the Civic Center Construction Fund:
- (a) Increase the estimate for Earned Revenue by \$4,569,000 to reflect the Commercial Paper proceeds to fully fund the Civic Center construction project; and
  - (b) Increase the Reserve for Capital Improvements by \$4,569,000.
- (8) Adoption of the following appropriation ordinance and funding sources resolution amendments to establish the Civic Center Improvements Fund to account for the non-construction improvements and relocation costs associated with the new Civic Center and:
- (a) Increase the estimate for Earned Revenue by \$45,250,000 to reflect Commercial Paper proceeds;
  - (b) Establish a Civic Center Technology Improvements appropriation to the Information Technology Department in the amount of \$25,700,000;
  - (c) Establish a Civic Center Furniture, Equipment, and Relocation appropriation to the General Services Department in the amount of \$17,300,000; and

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- (8) **Adoption of the following appropriation ordinance and funding sources resolution amendments to establish the Civic Center Improvements Fund to account for the non-construction improvements and relocation costs associated with the new Civic Center and: (Cont'd.)**
  - (d) **Establish a Civic Center Non-Construction Contingency appropriation to the City Manager's Office in the amount of \$2,250,000;**
- (9) **Adoption of a resolution of the City Council delegating authority to the City Manager to award or enter into the following agreements:**
  - (a) **Determine the responsibility of construction contractors eligible to bid, award public works contracts, enter into and amend consultant contracts, establish and manage contingency funds within the budget and enter into related change orders for the New San José Civic Center Project and Civic Center Garage Project (together, the "Civic Center Project") in an amount not to exceed the Civic Center Project budget of \$343,000,000;**
  - (b) **Enter into agreements necessary to include the Civic Center Garage Project in the existing owner controlled insurance program for the New Civic Center Project; and**
  - (c) **Enter into contracts for public works, the purchase of technology, furniture, equipment, and relocation services for the new Civic Center, in accordance with the provisions of the San José Municipal Code and the City's procurement policies and procedures, in an amount not to exceed \$45,250,000; and**
  - (d) **Enter into contracts for public works, the procurement of programming and relocation services, purchase of technology, furniture, and equipment, and improvements to existing facilities to implement the City's interim space plan, in accordance with the provisions of the San José Municipal Code and the City's procurement policies and procedures, in an amount not to exceed \$1,600,000.**

**New Civic Center Project CEQA: Resolution No. 68905. New Civic Center Parking Garage CEQA: Resolution No. 71743. (City Manager's Office/Finance/Public Works)**

Documents Filed: (1) Memorandum from Deputy City Manager for Capital Projects Terry Roberts, Director of Public Works Katy Allen, Chief Information Officer Wandzia Grycz, Finance Director Scott Johnson, and Director of General Services Jose Obregon, dated January 6, 2004, recommending approval of said non-construction operating start plan and said related costs. (2) Memorandum from Finance Director Scott Johnson, Director of Public Works Katy Allen, and Budget Director Larry D. Lisenbee, dated January 6, 2004, recommending said Public Hearing and said resolutions. (3) Addendum to the Civic Plaza Parking Structure Final Environmental Impact Report from Director of Planning, Building & Code Enforcement Stephen Haase, dated January 13, 2004. (4) Hardcopy of Civic Center Project Commercial Paper (CP) Program presentation.

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Discussion/Action: Mayor Gonzales opened the Public Hearing. Rosalia Carvajal, Terry Applegate, Kevin Kitilla, Ross Signorino, Pete Campbell, Brian Chapman, and Lorna Change spoke on the issue. The Public Hearing was closed. City Manager Del D. Borgsdorf delivered a brief general overview and introduction for Deputy City Manager for Capital Projects, Terry Roberts, Chief Information Officer, Wandzia Grycz, and Finance Director Scott P. Johnson who delivered a presentation on the fiscal actions, new information technology and financing plans for the New Civic Center.

Council Member Cortese expressed his concerns relating to the proposed Commercial Paper (CP) program and Council not having all of the information from the start of the project since the Civic Center project supercedes the terms of most of the current Council members. He requested Staff to provide more information that would help answer the question of how the project would help the City of San José become more profitable or more efficient. Finance Director Scott P. Johnson stated the benefit of the CP program is in the flexibility the program will offer in terms of funding and clarified to Council that they are not being asked to approve the CP program up to \$98 Million dollars but there is flexibility in regards to the draws that the City takes on the CP program and as to when it is issued. City Manager Borgsdorf stated from an implementation viewpoint, Staff is prepared to segment their plan and bring back the components to Council for further discussion. Mayor Gonzales stated Staff is basically requesting a conceptual approval of using this type of financing for the actual brick and mortar and for possible use later for those projects brought to Staff on an ongoing basis related to furniture, technology and equipment and asked Staff if some of the projects will come back to Council. Deputy City Manager Roberts stated there is a lead-time for the furniture and technology in order to get them to the building in a designated timeframe and the proposed needs all have deadlines that need to be adhered to. Chief Information Officer Grycz stated the infrastructure is in need to move forward and in order to have the project implemented they need to be added in 6 months prior to the move-in date. She commented they needed to provide higher technology for the new Civic Center and as result of creating a single network infrastructure they are anticipating there will be at least a 20% reduction in staff processes to care for the single network as opposed to continuing the maintenance of the multiple networks the City has now which would not be able to fit into the new Civic Center due to the networks' size the limited space that is available. Council Member Cortese asked staff to provide a quantification of the \$45 million dollars proposed to be utilized and to find out what are the costs and cost savings of the project. Chief Information Officer Grycz stated an analysis was done on the project relating to network servers and they were able to identify that by consolidating 200 of the distributed servers into the 52 servers planned for the new Civic Center, the City would have a savings of \$3.5 million dollars on an annual basis on the fact that City staff will no longer be required to do the care and feeding of the 200 servers.

Vice Mayor Dando asked Staff when discussing the funding for the bricks and mortar of the building and using the CP program to fund it, does it mean there will no addition to the budget at all. Director Johnson stated the City currently has a successful CP program and the construction costs are \$42 million for the bricks and mortar to which the CP

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program can fund completely. Vice Mayor Dando expressed approval of the proposed use of the current City Hall building and the rehab plans and stated it was a good direction for the City to go forward and she hoped the proposed plans were said with conviction and she doesn't see staff return in six months stating they have decided to rehab the building for future use, she asked Staff if the commitment was long term or merely stated due to the current discussion of budgets. City Manager Borgsdorf stated it is a commitment that any option will be brought back to Council with cost-saving components and will also have a substantially lower capital investment and the initial analysis presented to Council is the most cost effective and can be used as a benchmark. He stated this measure will not add to the construction budget of City Hall and it reduces substantially the costs of bricks and mortar for the current City Hall building and also reduces the original estimates for furniture and technology by half. Vice Mayor Dando asked staff as to why in over a six month period, the need for the current City Hall changed to the City no longer needing the building at all. City Manager Borgsdorf stated General Services brought forward an operation form stating the Old Martin Luther King Library should be considered for reuse on an interim basis as part of the relocation strategy and therefore, staff designed a plan for the budget which included the original estimates of City and staff, but now the estimated number have changed for square footage actually needed. Vice Mayor Dando asked staff if the City will be using the Old Martin Luther King building or continue to use the current City Hall. City Manager Borgsdorf stated they would conduct a better analysis and return to Council with a recommendation pertaining to the rehabilitation of both buildings. Vice Mayor Dando suggested that staff include the value of both properties within that analysis. She stated it was unfortunate the City should be discussing the issue of costs being \$45 million dollars and her disappointment in it catching the Council off guard since the previous budget for furniture that was presented to Council stated a number of \$5 million dollars. City Manager Borgsdorf stated the furniture line item proposed is in relation to the physical construction of the actual building, including the public spaces, so it emphasizes areas such as the front lobby of the Civic Center and the fixed seating in Council Chambers, but it does not include the furniture to be set into the building itself.

Council Member Reed asked staff as to why there was no line item pertaining to the \$90 million dollars worth of projected expenditures and although staff has done a wonderful job of narrowing the amount down to \$45 million dollars, its' still money added to the budget and he asked staff how does this amount stack up to Measure I certification requirements. He stated he voted against the original \$343 million dollar budget proposed for the project but he has steadfastly defended out Measure I certification because he felt it was correct, he requested staff provide that certification before Council moves forward. City Attorney Richard Doyle stated the Measure I certification was conducted twice, once in 1999 and the other in 2001 and the original 1999 number had to be updated and at that point, the project was given approval so there was no reason to revisit the number. He stated there are specific triggers that allow the City to go back and right now the estimates are at \$208 million which leaves the City with no reason to go back to revisit Measure I at this point.

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Council Member Williams asked staff for clarification in relation to the E Lot and the original plan for space planning and whether the dollars earned for this lot be used for capital and space planning as well. Director Johnson stated upon an appraisal that was conducted in 2001, it was estimated at \$25 million dollars for the lot and based upon the current economy, the City would be looking at a reduction of 47% in land value which is \$13.5 million dollars, so staff is recommending to not buy high and sell low, therefore the selling of the E Lot will be deferred until a later date. He stated the future sale of the E Lot would be used to assist in financing the space planning needs. Council Member Williams requested staff to provide a baseline pertaining to the certain costs of technology and furniture if the City were to not move into the new Civic Center so as to compare what the City will be paying and would not pay if they did not move and any additional items that would be subtracted from the budget. Director Johnson stated there were more opportunities available to them at the new Civic Center pertaining to relocating office areas and furniture configuration.

Vice Mayor Dando moved approval of staff's recommendation and to approve the final phase of construction which has been discussed today as the "bricks and mortar" phase of the building process, in addition, regarding the \$45 million dollars for furniture and technology, she requested staff return to Council in the next two Council meetings to respond to some of the questions and concerns raised by Council today. Council Member Chavez seconded the motion. Mayor Gonzales requested staff to provide detailed matrix pertaining to when upcoming contracts need to be incurred, the timeframe and how much money it will be to allow Council a clear idea of the cutoff dates and when their final approvals or disapprovals will be needed for furniture and processes.

Council Member LeZotte expressed her concerns pertaining to the City spending \$23 million dollars on the glass rotunda to be built for the new Civic Center but the cost amount does not include the costs of cleaning the glass itself. She commented staff is seeking to make the new Civic Center a state-of-the-art facility which is fine but she would like to know an estimate of how many people in the community will actually utilize those features and whether the investment of that money is truly needed. Chief Information Officer Grycz clarified her definition of state-of-the-art, stating she meant the proposed costs refers to the foundational pieces of the technology such as the digital and fiber technology which she felt would not change drastically in the upcoming years since fiber technology relies upon huge amounts of data. Council Member LeZotte requested staff provide Council with the amount of technology is contained within the budgeted number for the furniture and equipment and asked staff in regards to the short and long terms plans, how did they propose to pay for the costs over a seven year period. Director Johnson stated they were proposing a two-pronged approach for the CP program to pay for the \$42 million budget and upon completion of the parking garage, they will be returning to Council with a long-term financing plan. He stated the non-construction costs were not long-term assets and that was the reason it was so important to distinguish that it would only take three to ten years to pay for those costs and it was not worth paying those costs with long-term debt, therefore staff is recommending they pay for those costs over a seven year timeframe.

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Council Member Chavez suggested friendly amendments to Vice Mayor Dando's motion; for staff to clarify as to how much of the furniture and equipment costs are technology related and to provide a historical overview of the technology workplan and to clarify what part of the workplan is being accomplished through the actions approved today, to clarify the technology opportunities that demonstrate the opportunity as they relate to the green building and finally, for staff to provide a little discussion as to what criteria is used to determine the hardware set to go into the new City Hall. She asked staff regarding purchases and whether its furniture or technology equipment, would those purchases come back to Council as outlays and is the City doing sole source negotiations for City needs. Deputy City Manager Roberts stated the proposals would delegate the authority to actually award the contracts to the City Manager, similar to what was done to the construction part of the City and those would be reported back to Council. Council Member Chavez stressed the importance of integrating the new Economic Development strategies around the local opportunities for local companies and for staff to incorporate those within their upcoming staff reports.

Council Member Gregory requested staff to provide Council with a cost benefit analysis report clarifying the cost and expenditures of the proposed projects, the reduction operation costs, and the new service opportunities that will be created to help benefit the community and neighborhoods of San José.

Council Member Yeager stressed the importance of providing Council with all the information regarding budget items for the new Civic Center prior to Council meetings to help avoid the situation Council finds themselves in now. He asked Staff if there were any other costs that were looming out there or missing from any of the categories before them. Deputy City Manager Roberts stated he did not see any costs over and above the one proposed. Council Member Yeager asked staff for a status update on the local preference ordinance. City Attorney Doyle stated they would return to Council with an update status report and stated the ordinance did go to the Small Business Commission to which there were some issues found pertaining to what the percentages should be and stated he would return to Council shortly with an update. On a call for the motion, the motion was carried and staff recommendations were approved with the addition of directions to staff to return to Council within the next two weeks to respond to some of the questions and concerns raised by Council and to provide Council with a matrix pertaining to Information Technology to provide clarification as to when contracts need to be incurred and over what period of time as well as how much money will be spent. staff was directed to provide Council with clarification as to how much of the furniture and equipment costs are technology related and to provide a historical overview of the technology workplan and to clarify what part of the workplan is being accomplished through the actions approved today, and to clarify the technology opportunities that demonstrate saving opportunity as they relate to the green building, and for staff to provide a little discussion as to what criteria is used to determine the hardware set to go into the new City Hall. Staff was directed to provide a cost benefit analysis report clarifying the cost and expenditures of the proposed projects, the reduction operation costs and the new service opportunities that will be created to help benefit the community

and neighborhoods of San José and the City Attorney was directed to provide a status update to Council pertaining to the local preference ordinance. Ordinance No. 27049, entitled: "An Ordinance of the City of San José Amending Ordinance No. 26916 to Appropriate Moneys in the Sewage Treatment Connection Fee Fund for the City Hall Renovation Project; and Providing That This Ordinance Shall Become Effective Immediately Upon Adoption", Ordinance No. 27050, entitled: "An Ordinance of the City of San José Amending Ordinance No. 26916 to Appropriate Moneys in the City Hall Renovation Construction Fund for the City Hall Renovation Construction Project; and Providing that this Ordinance Shall Become Immediately Upon Adoption", Ordinance No. 27051, "An Ordinance of the City of San José Amending Ordinance No. 26916 to Appropriate Moneys in the Interim City Facilities Improvements Fund for the General Services Department; and Providing That This Ordinance Shall Become Effective Immediately Upon Adoption", Ordinance No. 27052, entitled: "An Ordinance of the City of San José Amending Ordinance No. 26916 to Appropriate Moneys in the Civic Center Construction Fund for the Capital Facility Improvements; and Providing That This Ordinance Shall Become Effective Immediately Upon Adoption", and Ordinance No. 27053, entitled: "An Ordinance of the City of San José Amending Ordinance No. 26916 to Appropriate Moneys in the Civic Center Improvement Fund for the Non-Construction Improvements and Relocation Costs Associated with the New Civic Center Project; and Providing That This Ordinance Shall Become Effective Immediately Upon Adoption", were adopted. Noes: LeZotte, Reed. Resolution No. SJFA-63, entitled: "A Resolution of the City of San José Financing Authority Authorizing the Issuance of Commercial Paper in Connection with Financing of an Offsite Parking Garage for the New City Hall, Technology, Furniture and Equipment for the New City Hall, and City Space Planning Needs, Including the Renovation or Rehabilitation of the City's Former Main Library, the Existing City Hall and the Health Building, Authorizing Execution of a Trust Agreement and Certain Financing Documents, Approving an Offering Memorandum, and Authorizing Other Related Actions", Resolution No. 71914, entitled: "A Resolution of the Council of the City of San José Approving, Authorizing Execution of Certain Financing Documents and Certain Related Actions in Connection with the Financing of an Offsite Parking Garage for the New City Hall Technology, Furniture and Equipment for the New City Hall and City Space Planning Needs, Including the Renovation or Rehabilitation of the City's Former Main Library, the Existing City Hall and the Health Building", Resolution No. 71915, entitled: "A Resolution of the Council of the City of San José Amending Resolution No. 71608 Setting Forth the Estimated Sources of Funds for the Fiscal Year 2003-2004 to Adjust Revenues in the Sewage Treatment Plant Connection Fee Fund", Resolution No. 71916, entitled: "A Resolution of the Council of the City of San José Amending Resolution No. 71608 Setting Forth the Estimated Sources of Funds for the Fiscal Year 2003-2004 to Adjust Revenues in the City Hall Renovation Construction Fund", Resolution No. 71917, entitled: "A Resolution of the Council of the City of San José Amending Resolution No. 71608 Setting Forth the Estimated Sources of Funds for the Fiscal Year 2003-2004 to Adjust Revenues in the Interim City Facilities Improvements Fund", Resolution No. 71918, entitled: "A Resolution of the Council of the City of San José Amending Resolution No. 71608 Setting Forth the Estimated Sources of Funds for the Fiscal year 2003-2004 to Adjust

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Revenues in the Civic Center Construction Fund”, and Resolution No. 71919, entitled: “A Resolution of the Council of the City of San José Amending Resolution No. 71608 Setting Forth the Estimated Sources of Funds for the Fiscal Year 2003-2004 to Adjust Revenues in the Civic Center Improvements Fund”, and Resolution No. 71920, entitled: “A Resolution of the Council of the City of San José Authorizing the City of San José Authorizing the City Manager to Negotiate, Award or Enter Into Various Agreements in Support of the New Civic Center Project and Off-Site Garage, Not to Exceed the Limits and Conditions Set Forth Herein”, were adopted. Noes: LeZotte, Reed.

**ADJOURNMENT**

The Joint City Council/Financing Authority meeting was adjourned at 4:27 p.m.

**RON GONZALES, MAYOR**

**ATTEST:**

**DEANNA J. SANTANA, ACTING CITY CLERK**

EW/1-13-04