



**MINUTES OF THE CITY COUNCIL
GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN**

SAN JOSÉ, CALIFORNIA

THURSDAY, DECEMBER 5, 2008

The Council of the City of San José convened in a Study Session at 9:07 a.m. in Council Chambers, City Hall.

Present: Council Members - Campos, Chu, Constant, Nguyen, Oliverio, Pyle, Williams; Reed.

Absent: Council Members - Chirco, Cortese, Liccardo. (Excused)

Staff: Chief Deputy General Counsel Patricia Deignan, City Manager Debra Figone, Chief Development Officer Paul Krutko, Director of Employee Relations Alex Gurza, Deputy City Manager Ed Shikada, Budget Director Larry Lisenbee Acting Budget Director Jennifer Maguire, Principal Budget Analyst Margaret McCahan, Redevelopment Agency Director Harry Mavrogenes, City Clerk Lee Price, and Legislative Secretary Ruth Krantz.

Documents Filed: (1) Memorandum from Council Member Campos, dated December 3, 2008, recommending the preparation of an overview of the City's current outsourcing policies. (2) Memorandum from Council Member Liccardo, dated December 5, 2008, outlining recommendations on the General Fund Structural Deficit Elimination Plan. (3) Council Member William's presentation on balancing the budget. (4) Memorandum from City Manager Debra Figone, dated November 19, 2008, submitting the 2010-2014 Preliminary General Fund Forecast. (5) Memorandum from Executive Director of the Redevelopment Agency Harry S. Mavrogenes, dated December 3, 2008, outlining recommendations on the General Fund Structural Deficit Elimination Plan. (6) Asset Management Implementation Options and Policy Setting presentation, dated December 5, 2008, submitted by Deputy City Manager Ed Shikada. (7) General Fund Structural Deficit Elimination Plan, dated November, 2008.

Mayor Reed presented opening comments.

City Manager Debra Figone introduced the Preliminary General Fund Five-Year Forecast.

Access the video, the agenda and related reports for this meeting by visiting the City's website at <http://www.sanjoseca.gov/clerk/agenda.asp> or <http://www.sanjoseca.gov/clerk/MeetingArchive.asp>. For information on any ordinance that is not hyperlinked to this document, please contact the Office of the City Clerk at (408) 535-1266.

Chief Development Officer Paul Krutko presented the economic outlook and local economic development strategy.

Budget Director Jennifer Maguire provided an overview of the 2010-2014 Preliminary General Fund Forecast and outlined upcoming key budget dates.

Andy Belknap (Management Partners) offered a presentation on the Five-Year Forecast and outlined technical recommendations.

Stakeholder Comments

Bob Brownstein and Ed Rast provided General Fund Structural Deficit Elimination Plan Stakeholder Group Comments.

Council questions and discussion followed.

City Manager Debra Figone clarified strategy proposals.

Director of Employee Relations Alex Gurza responded to questions from the Council on retiree healthcare.

Council Member Constant expressed concerns over the recommendation to reallocate Redevelopment Agency (RDA) funds to the City's General Fund as outlined in the General Fund Structural Deficit Elimination Plan. City Manager Debra Figone offered recommendations on RDA contributions.

Chief Development Officer Paul Krutko responded to questions from Council on unemployment figures.

Public Comments

- (1) Erik Larsen (AFSCME) expressed concerns on increased healthcare costs and 2-tiered retirement policies.
- (2) Nancy Ostrowski (AEA/IFPTE Local 21) urged stronger baseline policy standards.
- (3) Trish Glassey (CEO) expressed opposition to 2-tiered retirement policies and salary range disparities.
- (4) Richard Zappelli (Willow Glen Neighborhood Association) expressed concerns over lack of new retail development in San José.

RECESS/RECONVENE

The City Council recessed at 10:44 a.m. from the Study Session and reconvened at 1:37 p.m. in the Council Chambers.

City Manager Debra Figone discussed the approach of evaluating our internal competitiveness through competitive sourcing.

Director of Employee Relations Alex Gurza responded to Council questions regarding the civil service structure of the salary scale and biennial evaluations. A discussion of the retirement fund performance ensued.

Council Member Williams offered suggestions on managing the City's reserves more effectively and provided a brief presentation.

Intergovernmental Relations Director Betsy Shotwell responded to questions from Council on potential benefits from the Governor's tax increase proposal.

Asset Management

Deputy City Manager Ed Shikada offered a presentation on Asset Management Implementation Options and Policy Setting and discussed its direction as a sustained business strategy.

Director of Transportation Jim Helmer provided input on the downtown traffic management plan and increased parking fees.

Council Member Chu proposed tapping real estate knowledge of constituents through development of an ad hoc committee.

Extensive Council discussion ensued.

Motion: Council Member Pyle moved to take up discussion of competitive outsourcing at the January 13, 2009 Council meeting. The motion was seconded by Council Member Chu.

The motion was amended to include a broader discussion of core services at the January 13, 2009 Council meeting.

Action: On a call for the question, it was agreed that the competitive outsourcing issue be pulled for in-depth discussion at the January 13, 2009 Council meeting. Mayor Reed asked that Staff list outsourcing actions that have already been accomplished. City Manager Debra Figone affirmed that a copy of the competition policy had been provided to the Council for review. (8-0-3. Absent: Chirco, Cortese, Liccardo.)

Public Comments:

- (1) Erik Kaeding discussed the benefits of developing an RDA plan to eliminate the Phase I Cap on residential development in San José.
- (2) Gary Roberts (Operating Engineers) offered support for the Staff's plan.
- (3) Elizabeth Brierly (Budget Deficit Elimination Task Force) spoke in favor of determining the City's core service needs.
- (4) Richard Zappelli (Willow Glen Neighborhood Association) spoke in opposition to raising parking fees.
- (5) David Dearborn offered suggestions for real estate use of the previous city hall.
- (6) Ed Rast spoke in favor of changing code restrictions to lift homebase employee/business restrictions.

Mayor Reed adjourned the study session at 3:13 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

Lee Price, MMC
City Clerk

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