

MINUTES OF THE CITY COUNCIL

SAN JOSE, CALIFORNIA

THURSDAY, NOVEMBER 5, 2009

The Council of the City of San José convened in Special Session at 1:35 p.m. in the Council Chambers at City Hall.

Present: Council Members - Campos, Chirco, Chu, Constant, Herrera, Kalra, Liccardo, Nguyen, Oliverio, Pyle; Reed.

Absent: Council Members - None.

STRATEGIC SUPPORT SERVICES

- 3.1 (a) Accept presentations and discuss:**
- (1) 2010-2011 Preliminary General Fund Forecast;**
 - (2) Outlook for Economic Recovery;**
 - (3) Strategies for addressing the projected 2010-2011 General Fund shortfall and beyond, which are:**
 - (a) Reduce per Employee Cost**
 - (b) Service Reduction and Eliminations**
 - (c) New/Increased Revenue Sources**
 - (4) Approach to Prioritizing City Services.**
- (b) Direct City Manager on 2010-2011 General Fund shortfall solution strategies.**

CEQA: Not a Project. (City Manager's Office)

Documents Filed: (1) Memorandum from Mayor Reed, dated October 30, 2009, providing direction to Staff. (2) Memorandum from Mayor Reed, dated November 2, 2009, recommending appointing an Ad Hoc Committee of the City Council. (3) Memorandum from Council Member Pyle, dated November 4, 2009, providing direction to Staff. (4) Memorandum from Council Member Oliverio, dated November 4, 2009, recommending that the Council support making all labor negotiations and collective bargaining units public. (5) Memorandum from Council Member Kalra, dated November 4, 2009, recommending appointing an Ad Hoc Committee of the City Council. (6) Memorandum from City Manager Debra Figone, dated October 26, 2009, recommending acceptance of the presentations and requesting direction. (7) Supplemental memorandum from City Manager Debra Figone, dated October 30, 2009, transmitting the 2010-11

3.1 (Cont'd.)

Documents Filed: (Cont'd.)

Preliminary General Fund Forecast. (8) Supplemental memorandum from City Manager Debra Figone, dated October 30, 2009, transmitting sample department program maps. (9) Supplemental memorandum from Director of Finance Scott Johnson, dated November 3, 2009, transmitting the Draft Matrix of Preliminary Revenue Strategy Options. (10) Replacement supplemental memorandum from Director of Employee Relations Alex Gurza, dated November 4, 2009, transmitting additional information related to reducing per employee cost. (11) Staff presentation on the 2010-2011 Budget Planning dated November 5, 2009. (12) Two emails from the public dated November 4, 2009 and November 5, 2009 regarding the 2010-2011 Budget Planning process.

Mayor Reed and City Manager Debra Figone provided opening comments.

Budget Director Jennifer Maguire provided an overview of the 2010 -2011 Preliminary General Fund Forecast. Chief Development Officer Paul Krutko offered information about job loss in San José MSA, monthly job loss, unemployment rate, Silicon Valley Venture Funding and average vacancy rates in Silicon Valley.

Dr. Steve Levy, Director Senior Economist, Center for Continuing Study of the California Economy, Palo Alto, provided his input on the following questions: (1) What should be expected in the timing and nature of economic recovery; He stated that the recovery of the economy will be slow. (2) What is the outlook for longer term economic and revenue growth; He suggested the City re-orient the property and sales tax base to grow equally with the economy. (3) How will the current and ongoing State fiscal crisis affect cities like San José; He commented that the City should look at changing the revenue base long term, otherwise there will continue to be an increasing disconnect.

Budget Director Jennifer Maguire responded to Council questions.

Extensive Council discussion followed.

Council Member Constant requested information about the correlation between vacancy trends and sales tax receipts in the retail category.

Council Member Nguyen referred to the Fiscal Year 2010-2011 and the potential allocation of \$7.8M for Committee additions and requested that Staff issue an information memorandum to Council about how much the City has spent on Committee additions since 2000 and which department has most of these Committee additions.

Council Member Campos requested information about the shortfall, the difference between the City revenues and expenditures and the specific declines in revenues.

City Manager Debra Figone introduced the three major strategies, (1) reduce per employee cost; (2) service reductions/eliminations, and (3) new/increased revenue sources.

3.1 (Cont'd.)

City Manager Debra Figone provided an overview on cost reduction strategy. Chief Deputy City Manager Ed Shikada presented the approach to prioritizing City services.

Mayor Reed explained the recommendations outlined in his memorandum dated October 30, 2009 and commented on the memorandum from Council Member Pyle, dated November 4, 2009.

Motion: Council Member Pyle moved approval of the memorandum from Mayor Reed, with recommendations to Staff, and her memorandum with additional recommendations, including Item 5 to be referred to Rules and Open Government Committee. Council Member Herrera seconded the motion.

Council Member Constant requested to amend the motion to request Staff to consider using one time revenue sources for one time services. The amendment was accepted by Council Members Pyle and Herrera.

Council Member Oliverio requested to amend the motion to include his memorandum, dated November 4, 2009, recommending the Council support making all labor negotiations public and direct the Administration and the collective bargaining units to immediately begin making all labor negotiation meetings open public meetings. Council Member Pyle declined to accept the amendment as part of her motion.

Substitute Motion: Council Member Oliverio moved approval of the memorandum from Mayor Reed, the memorandum from Council Member Pyle and his memorandum dated November 4, 2009, as stated previously. Council Member Constant seconded the motion.

City Attorney Richard Doyle and Director of Employee Relations Alex Gurza responded to Council questions and comments.

Mayor Reed, Vice Mayor Chirco, Council Members Campos, Kalra and Herrera each expressed objection to the substitute motion on the floor.

Council discussion followed.

On a call for the question, the substitute motion failed. (3-8. Noes: Campos, Chirco, Chu, Herrera, Kalra, Nguyen, Pyle; Reed.)

Council Member Chu requested to amend the original motion with a referral to the Rules and Open Government Committee to add a recommended City position on the pending ballot measure sponsored by the League of California Cities. The amendment was accepted by Council Members Pyle and Herrera.

3.1 (Cont'd.)

Mayor Reed requested to amend the original motion to add the appointment of an Ad Hoc Committee of the City Council to work with interested stakeholders be referred to the Rules and Open Government Committee of November 18, 2009 and return to Council for action on December 1, 2009. The amendment was accepted by Council Members Pyle and Herrera.

Council Member Chu requested to amend the original motion that Staff make recommendations that will address the General Fund projected shortfalls on both a near-term and long-term basis to ensure the continued stability of services to the residents and businesses of the City of San José. The amendment was accepted by Council Members Pyle and Herrera and referred this item to the Rules and Open Government Committee as recommended by Mayor Reed.

Action: On a call for the question the original motion carried, the presentations were accepted; Direction to Staff outlined in the memorandum from Mayor Reed, dated October 30, 2009, and the memorandum from Council Member Pyle, dated November 4, 2009, were approved as modified: (1) Develop strategies to resolve the current projected General Fund shortfall in 2010-11 targeted equally in the following three areas: One-third from employee wage and benefit concessions; One-third from revenues; and One-third from one-time revenues, alternative service delivery proposals and efficiencies in operations. (This includes a request to refrain from using one-time revenues for budget balancing but instead for one-time needs; and to consider renegotiating existing service contracts to reduce costs). If the shortfall cannot be covered with these three categories, the default is service reductions and eliminations. (2) Direct Staff to start negotiations to change retirement benefits for new employees to allow the City to control future increases in retirement costs. Negotiations should be guided by the policy statement on Local Government Retirement Benefits issued by the Santa Clara County City Managers Association and the San Mateo County City Managers Association. During negotiations to change retirement benefits for new employees, provide the City Council with information about: Different strategies for implementing a two tier system and the cost savings anticipated for each strategy; Other options for addressing loss of value in the City retirement funds. New investment strategies from qualified professional investors with different opinions. (3) Provide the following information about the shortage in funding for the City retirement accounts. Given the immense City deficit, what is the effect of delaying full funding until better financial times? How can the use of one-time funds help to address the current shortage in funding for the retirement accounts? What strategies are other cities, counties and experts discussing to address retirement funding issues? (4) Include in the annual community budget poll questions to evaluate potential public support for new revenues. (5) Direct Staff to not agree to any ground rules with a bargaining unit that prevents disclosure of proposals. All offers made by the City and bargaining unit shall be made public at the time they are made. Clarify that disclosed information does not include internal discussions or proposals and counterproposals still in the development stage. (6) Include in the ground rules for labor negotiations that any presentations to the City Council in open session or any presentations to the membership of the bargaining units related to a Tentative Agreement on a new contract or the City's

3.1 (Action Cont'd.)

Last, Best and Final Offer include equal time for presentations by the City negotiating team and the bargaining units negotiating team. (7) Explore options to allow for presentations to the City Council in open session and to the bargaining unit membership regarding proposals made during contract negotiations. (8) Work with the League of California Cities to outreach to State Legislators regarding the impacts of State policy and budget decisions on cities in the region. The City Council also: (a) Referred to the Rules and Open Government Committee on November 18, 2009 the appointment of a temporary Ad Hoc Committee of the City Council to work with interested stakeholders to discuss San José's projected financial outlook; and to make recommendations that will address the General Fund projected shortfalls on both a near-term and long-term basis to ensure the continued stability of services to the residents and businesses of the City of San José, with direction to return to Council for action on December 1, 2009; and (b) Directed the City Manager to have Staff take to the Rules and Open Government Committee and Council a recommended City position on the pending ballot measure sponsored by the League of California Cities. *Note: Per dialogue on December 15, 2009, discussion modifications were noted for the record and the information requested by Council Member Pyle regarding the different strategies for a two tier system and the cost savings; and the full funding of the retirement accounts will be coming forward to the full City Council at a future date.* (10-1. Noes: Oliverio.)

PUBLIC COMMENTS

The following speakers provided comments about various proposals and made recommendations regarding the 2010-11 budget planning process: Randy Sekany, San José Firefighters, Juan Borelli, Gay Gale, CAMP, Bob Brownstein, Susan Bailey, David Wall, German Leon, Jodie Clark, Jenny Nusbaum, Laura Ciccarello, Yolanda Cruz, Sally Zarnowitz, Linda Dittes, Erik Larsen, Greg Ramirez, AFSCME/MEF, Wilma Hashii, Trish Glassey, CEO, Aaron Resendez, Reverend Dana Banbridge, Prudence Slaathaug, OE3, Ben Field, South Bay Labor Council, Avril Baty, Dan Rodriguez, IBEW 332, Carol Garvey, Lisa Jensen, Nancy Ostrowski, IFPTE Local 21, Dennis Martini, NAIOP, Jim Canture, Reena Mathew and Pat Sausedo, San José Silicon Valley Chamber of Commerce.

ADJOURNMENT

The Council of the City of San José was adjourned at 5:57 p.m.

Minutes Recorded, Prepared and Respectfully Submitted by,

Lee Price, MMC
City Clerk
smd/11-5-09 MIN

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