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Study session. San José.

>> Mayor Reed: Good morning. I want to welcome everybody. Please have a seat and get your coffee and your whatever else you want to eat. We've got plenty of sugar to keep everybody going for a long time. And first, I want to thank you for coming out on a Saturday morning. I know you have other things to do. I've got other things to do. We all have other things to do. So I appreciate the commitment and the sacrifice that people make to help us out! This is the third time we've had this neighborhood association priority-setting session. And we've done it differently each of the three times. So today's a little bit of an experiment. We're just trying this out, to see how it works for you, and how it works for us. So we do appreciate feedback, after each one of these so we can get better when we do it. But I want to just tell you a little bit about why we're doing this, why you're here, and why we have all this senior staff here with you. If you will probably hear from them during the course of the morning, but we have a lot of people here who are involved in the budget process. A lot of people who are very important, that they're here to participate with you, and hear from you. So you have the undivided attention of a lot of our senior staff. So it's really important what you're doing. And the reason we're doing this is, this is part of what we're calling a community based budgeting process. Something I wanted to start when I became mayor. I guess the easiest way to explain it is, in all the council meetings we sit through and all the hearings we sit through and all the people that come talk to us, the taxpayers are hardly ever there. The residents are hardly ever there. People with special interests are always there. And some of you even come down. But when you come down, you come down for a special reason, typically. You've got a project or a thing or something in your neighborhood. So this is an opportunity for everybody to put on a citywide hat, sort of take a different view of what's important to you and your neighborhoods, aside from that particular park or that particular project that you're advocating for, to think globally, and help us think globally. And the results of what you do, as -- with that global thinking, then come to the council, and ultimately work their way into the budget message that I'll put together in March. So we're really looking at priorities and values that will affect our decision-making as we go through the process of putting together the budget. So we did a community-wide survey statistically valid, random sample of the residents of the City of San José in January, and the results of that will be brought to the council very soon. Because I know that even though you are representative of your neighborhoods, you're not necessarily representative of the entire city. So we have this survey, a random sample so we have an idea of what the residents think. We'll have a very good idea of what our neighborhood associations think as a result of this, and then we have a session with senior staff and councilmembers to have a similar discussion with priorities and values in the broader themes of when we go through the budget process. And then in March I put together a budget message based on all of that and all you have to say and everything we put together. And then the manager has to take all of that from the middle of March to the 1st of May and put together a real budget, balanced budget, with thousands and thousands and thousands of things to be considered. Then we spend the month of May in council meetings trying to figure out what to do and ultimately in June decide what to do. And we will balance our budget and for the eighth year in a row we will have a gap between the amount of money we're going to have and the services that we need to deliver. And we will have to make choices. And unlike the federal government, we don't have a printing press. Which I wish we had. And unlike the state government we cannot assume that a golden meteor is going to land in front of City Hall and solve all our problems. We actually have to balance the budget. It's a tough job and you will have a chance to see some of the difficult choices that are going to be presented to the city council, as we go through the process. We have -- [no audio]

>> Mayor Reed: Am I back? I'm back. We have people to explain the exercises. And we have been working on the budget, the eighth year now, a very concentrated effort to try to deal with our long term structural budget deficit. So we've been working on this issue for a couple of years and we've collected a number of ideas and we've had our survey and participants, thousands of people have participated in helping us come up with ideas to solve our problems. So some of those are reflected here. But many of these things are suggestions that came out of a task force that we had on solving our long term industrial deficit. And many of them have come from the departments, because the departments are already in the process of trying to figure out how to solve each individual department's problems for this year. So these are realistic issues that we all have to deal with. So somebody asked me if this was going to be an empathy session. Well, you know, I'm hoping to get a little empathy here. Councilmembers would appreciate a little empathy with the issues we go through. This is a very important step in the budget process and I thank you all for participating. And finally, one last measure of thanks for all of you in here who helped us with the measures J and K, who voted for measures J and K. Because that preserved a lot

of existing funding, about \$48 million of existing funding. So I'm grateful that we're not talking about how to make up for another \$48 million of problems. So thank you all for helping us on that. We really appreciate the vote of confidence, and we'll spend some time this morning trying to figure out the rest. And with that, I'm going to turn it over to our City Manager, Deb Figone, who has to carry the lion's share of the work in trying to solve all these problems. Deb.

>> City Manager Figone: Thank you, mayor. Thank you for your leadership. I, too, would like to welcome you this morning, along with the mayor's thanks. We'll be doing a lot of other things but I hope by the end of the day today, you'll feel your contributions are important because they are very important to us, to me as the City Manager, to the senior staff in the room and the mayor and councilmembers who are here to hear your feedback, as we work through our exercise. Your work, as neighborhood leaders, is absolutely critical to this city. And I'm so very, very impressed at the level of civic engagement that you bring to the table, especially for a city of our size. So again, thank you. As the mayor said today, our topic is the budget deficit. We, as your senior staff, as your professionals in public administration, have spent a lot of time over the last few years, as the mayor said, eight years, I've been manager for almost two years. I know that this city has spent a lot of time, and thought, in how to solve this problem. And each year, clearly, balances the budget, yet we still have a structural deficit. And so the good news in all of that, even though it gets very frustrating, is that San José is really ahead of the game, compared to many other cities. We know the challenge. We confront it head-on. We have elected officials who are not afraid to confront the issues. We have senior staff who have a lot of experience. And so the good news is that we will be able to address this problem. The bad news is that it won't be easy. It will be painful. And there will probably -- every turn be something that somebody doesn't like. And so that's why we really need civic engagement like today to really ensure we have an informed public, and informed community leaders, who can help provide their voice to the problem-solving so that ultimately our elected officials can make a balanced set of decisions. So today's budget exercise as the mayor's said, we've tried different things over the last couple of years to engage our community leaders in this education process, as community-based budgeting. So today is designed to give you the opportunity to wrestle with and work through the very real proposals, as the mayor said, that the senior staff are bringing forward for me to wrestle through and to ultimately make some recommendations to the city council. So that is the reason why we're calling this exercise today, City Manager for a day, to give you a sense of the decisions that need to be made through the proposals on the table today and maybe other ideas that haven't surfaced yet and you'll have the opportunity to surface ideas to solve the \$65 million deficit that we're facing for next year alone. And we have more problems into the future, as you'll hear briefly in a moment. But right now we're confronting \$65 million for '09-'10. So my job as the City Manager, being appointed by the mayor and council to serve them administratively, my job is to make them recommendations. It will be their decision to make decisions on what to do to achieve a balanced budget by the end of June. So a couple of things you should know as City Manager for the day, number 1, you're not expected to be budget experts. We want to make sure that this year's budget exercise doesn't frustrate you. Last year we had a lot of talking at you. This year we wanted you to come in and be engaged in a way that didn't require you to have any expertise in city budgeting. Instead, the exercise is an opportunity for you to wrestle with the real proposals, but to hear what your budget priorities are, based on your perspectives as community leaders. You should know that there are no right or wrong answers, but you are expected to come up with ways to balance the budget. But those ways should be different, and we'll certainly hear that in the report-out later in the day. Again, your participation as the mayor said is extremely valuable to all of us. It's very valuable to me as we are in this very critical stage of wrestling through these proposals as the senior staff in order to meet the deadlines that the mayor outlined for you and to follow his direction, which will be issued in March. So again, thank you for helping us here today. I hope you find this engaging, it should be fun, it will be challenging fun. And I will now turn it over to Shawn Spano. Shawn is our facilitator today. He is a professor at San Jose State university, specializes in difficult dialogue. This is certainly difficult.

>> Mayor Reed: I have some councilmembers here today, Councilmember Liccardo, Councilmember Oliverio and Councilmember Constant. What was that specialty, difficult dialogues?

>> Shawn Spano: Maybe I'm in the right place. What I'll do is walk us through the agenda for today, and walk us through the format and how this is all going to play out. So just to acknowledge, you have some materials that you picked up outside and that you received in the e-mail invitation, you should have an agenda, and we'll walk through that agenda in just a moment. You also in the e-mail that you received have links. You have links to a video about the General Fund structural budget deficit plan. You also have

a link to this plan itself. Lots of material there. You have city service areas documents and you will hear from some of the CSAs, city service area leads, and they'll flesh out some of what you received in those documents and then the last document you have is the City's mission and values and county's goals, council's goals and priorities. And you'll use some of those materials as we work through our exercise today. And I also want to acknowledge that some of you may not have had a chance to look through these advance materials, and that's okay. We'll just do the best we can with the exercise itself. Okay, let's start with working through the agenda, and the meeting purpose and get ourselves all organized around that. The meeting purpose for today, and you'll see that up on the PowerPoint slide is to elicit direction from the neighborhood leaders how to balance the 2009-2010 city budget. The next slide, participants will engage in a budget exercise that incorporates their values and priorities about city government and makes them City Manager for a day, in recommending a budget to their mayor and council that closes the \$65 million projected deficit in '09-'10. Let's unpack that for a minute. One piece of that is your values and priorities. So part of the exercise today is, as community leaders, you're coming into this room with a lot of experience, a lot of knowledge, a sense of values, a sense of priorities, about what San José should be. What kind of city it should be, and how city government should operate. How city government should function. We want you to bring those values and priorities and experiences to the exercise today. It really is the community perspective that you bring today that is incredibly valuable, to mayor, council, and staff. So you are the right people in the room to be doing this exercise, because of your engagement, your involvement, your knowledge and experiences with the city. So that's one side of the equation and that's one hat obviously that you're wearing in bringing to the exercise today. The other hat you're wearing and that's the exercise we'll engage in, to prompt you to wear that hat, is the City Manager's hat, that's the City Manager for the day. What we're doing today is bringing your experiences, honoring your experiences, eliciting your experiences about city government and linking those to the work that the City Manager and her staff have to do in balancing the budget. So we have a community perspective, that you bring, and we have an administrative perspective from the City Manager's point of view. So we want to bring both of those together. It really is a linking, the exercise is a linking function, a bridging function for us today. We keep talking about the exercise. We'll have lots of detailed directions on how to do that so what I'm doing now is giving us the overview. So if that's the meeting theme let's go to outcomes. The overall outcome to inform the '09-10 budget outcome to reduction elimination ideas and revenue raising ideas from an informed community perspective. And those are -- you'll see the cards on the table, the budget ideas on the table, and those are the elimination-reduction ideas and revenue-raising ideas. Those are specific outcomes as well for neighborhood leaders, a new understanding of the reality of 09-10 budget situation and options for closing the deficit. Increased appreciation of the difficult position city officials are in as they develop and approve a balanced budget for this year. That's the empathy that the mayor was talking about. There's some outcomes for city officials as well. Feedback on specific deficit closing ideas. Evidence of common patterns among the tables on ideas you accept and ideas you reject. And insight into the values and principles that underlie neighborhood leaders approach to closing the deficit. And I can't certify this too much: These are gold nuggets for mayor council and staff. Because this gives them a perspective as the mayor was saying that does not usually inform the budget process. And so this is what makes this event different in terms of eliciting informed community perspective. So let's go on to the next slide. This is a slide about the City Manager, Debra mentioned civic engagement. The value of civic engagement in difficult times. Increasing need for new forms of collaboration, among politicians, community residents and administrative staff, because challenges are so complex, fluid, and multifaceted. We are at a point where the challenges, the problems that cities are confronting cannot be solved by one entity alone. It needs collaboration across different entities across the city. And new collaborative efforts are needed in order to marshal all these differently perspectives together. Local government is going to lead the way. Local government is at the front line of civic engagement and you all are right at the front lines of civic engagement. And San José is the ideal site for innovative solutions. Given the nature of the Silicon Valley, San José, given the heft of San José with civic engagement, San José can lead the way. I also want to say, there's difficulties in civic engagement. It's not easy. There are different views, different perspectives, different values. You have different values among yourself, there are different values with staff. And how do we bridge those? How do we bring all those together? That's what we're here to do today. Okay. With that said, then, let me ask, are there any questions, comments? Question?

>> So I've done some reading and I see that Debra Figone has done an incredible amount of work already prepping and with budget information et cetera. Exactly how what we are going to do today meld with some of the work she's already done and some of the recommendations she's already made?

>> You will see on the exercise, what you have on the table are recommendations that she's working with, recommendations that have been vetted by senior staff, that have been elicited by department heads. You are working with many of those very same recommendations she is. Your work today will inform her decisions. Your work today will inform the recommendations that she sends forward. And that's the gold, the nuggets of information of perspective that you're bringing to the table today.

>> I'd like to say that if President Obama is looking for somebody who's shovel-ready, San José is, especially working on situations where we're all involved. Thank you.

>> Hear hear, I agree 100%. Let's walk through the agenda, just so you have an idea how the day will unfold. Look through the agenda, we've moved down through purpose and outcome. In just a minute I'm going to turn it over to the budget director, Jennifer Maguire, and her along with Kim Welsh the city's chief strategist will set the context for the budget exercise today in terms of talking about larger budget issues, the economy and so forth. After that we'll hear from the CSA leads, city service area leads, talking about the four city service areas and give you background about that. Because what that's going to do for us is give you a sense about the kinds of services that the city provides. Next, we'll do the budget exercise. And there's going to be directions, and so we'll have a lot -- we're going to spend as much time as we need working through the directions for the budget exercise so everybody's clear about how this will operate. Then we're going to give you some time to work on the exercise itself. We'll have city staff here who will be able to help you if you have any questions, so you'll have lots of -- resources available to you. After the group exercise we'll have discussions. What did you learn? What were the difficulties in doing the exercise? How did your perspectives, your values, your priorities, how did they inform the budget exercise? So we'll want to hear that in a large group exercise and then we'll do a gallery walk. Everyone will walk around and see what each of the tables came up with, what their strategy was in closing the deficit. And then we'll close and break for lunch. Okay, we are ready to move forward. And we're going to try to limit as much as possible the talking at-you, so these are either going to be quick presentations, so let me turn it over to Jennifer Maguire to set the context for budget.

>> Jennifer Maguire: Good morning. Can everybody hear me? Good. As the mayor has said, we are entering our eighth year of budget deficit. This year is going to be more challenging than the city has ever faced. We have since 2001-2002 closed a \$60 million General Fund budget and lost 470 positions which is a reduction of 6.3% of our workforce. I'm particularly concerned, particularly concerned this year because part of that \$363 million has included state take away of our revenue sources from San José. Part of that money is \$22 million has been from state take aways. The state is facing as you know a very, very large problem in the State of California, they have a \$42 billion problem to solve by June 2010, and they have a history of taking away local revenues, since we calculate in the budget office, that since 1990, they've taken about \$500 million away from our local city here and that annualizes to about 40 million. Next slide. Oh, questions? What was the budget impact, you mean in dollars or -- well, I can't -- I don't have that number handy because we did so many variety of solutions to balance the \$363 million. I don't have that broken out. But it was -- it's probably -- well, in some -- in some respects, I don't think -- any of the Sr. staff would say the budget impact was zero. Basically what we did was, we did a lot of vacancies, we did reduce fill positions and transferred them to other places. We in a sense attrited our way out. We had a hiring rate since 2001. So we had to slowly attrit out of these positions. These aren't going to be as formidable this year, we've got very few in our General Fund. The city is actually going to look at layoffs, I think, and a real problem in our mid year budget review. Next slide. Okay. The budget office recently produced a five-year forecast very preliminary in November. And this is the chart, that shows what the numbers look like over the next five years. This shows that our costs are exceeding our revenues. Over the five-year period we're facing \$106 million industrial budget deficit. It's very significant in the first two years of this chart. Alone in 2009-2010 we have a \$65 million problem and another \$33 million in 2010-11 totaling \$98 million just in the first two years. A few important points I want to make sure you understand on this chart. Again, I think it was mentioned to you, our city charter does require that we do balance our budget each year. To the extent we use any one-time solutions to balance the budget, that just means that problem carries over to the next year. You will see some one-time solutions on your game cards today. The city council committed additions are included in these numbers and what is the committed addition? It's things like adding 25 police officers, opening and operating and maintaining new facilities that are coming online. We've got several new facilities coming online next year that have

been built with our voter approved general obligation bonds and libraries parks and our Public Safety facilities. I want to mention on the last three years of that forecast on the top line it gets almost positive in 2011-2012. There is no cost of living increases for any city employees for those last years. There is no raises at all in those years. Next slide. We have multiple reasons for our industrial deficit. Part of the reason, as mentioned in the very get-go is the state taking away some our revenues sources. But in addition to that we've got increases in our per employee salary and benefit cost, which we are actively trying to reduce that level of growth. We've had new cost for staffing and maintaining our new facilities, from what we've been calling our decade of investment from which the voters have agreed to improve our city. Unmet structure needs in terms of transportation, I.T, information technology, building and fleet. Especially the pavement on our road, we've got a lot of unimmediate structure needs there. The limit of our residential nonresidential development past land use policies have contributed to our deficit. It's a low ratio of jobs to employed residents is what we are facing there which contributes to both our revenues and expense problems. And we have a 21st century economy empathizing services software and Internet sales of 19th century tax and fiscal system that only taxes products. So we're not getting the sales taxes from those areas.

>> I thought it was the previous slight maybe not. You had made a comment about cola. There's no colas but am I to understand though that there are still raises in the pipeline based on go forward to the --

>> Jennifer Maguire: In the next two years we've negotiated agreements with our unions but also just our general benefit costs are going up, health benefits, retirement contributions to our system that the city has to pay.

>> So there's no colas but there are salary increases and also benefit increases is that correct?

>> Jennifer Maguire: Let me explain that for 2009-2010 and 2010-11 we do have cost of living increases assumptions in those years. It is 2011 through 2013 that we do not have cost of living assumptions. Health benefits I'm sure you all know are going up and also other general benefit increases.

>> Thank you. [Off microphone question]

>> Jennifer Maguire: Yes, the way our system works for nonmanagement is that, if when you're hired in, what the councilmember is describing, we call them step increases, until you get to the top step in your classification, there is a 5% automatic increase, as long as you're performing well, that goes between the steps. You generally enter into the system at step 1, as a regular employee. Those are part of our civil service system. But the cost of living increases are negotiated. Sure.

>> Just quickly go back to the first slide you were talking about, no, no, the one that you're talking about now. What's the ratio between those in other words what's -- getting back to Ed's question, what is the structural deficit for each of those categories? I don't have that answer. Because that would be -- if it's 60% for the first ones then obviously --

>> Jennifer Maguire: Our personnel cost are two-thirds of our General Fund to give you a sense because we are a service organization.

>> City Manager Figone: And I would ask staff to be noting some of the questions we can't answer and just to the degree they're answerable we'll get you answers after this session. And any follow-up material.

>> Shawn Spano: So we'll go to the next question. We're using the microphone and it's being recorded today.

>> I'm from district 3. What percentage of all city employees as you know are in bargaining unit or covered under a bargain unit do you know?

>> Jennifer Maguire: Our employee relations director, not a director, she's the assistant, and she could probably help us with that answer. [Off microphone reply]

>> It's just over 96% of our workforce is unionized.

>> Yes, the -- I'm curious if, the agreement you're telling us if that encompasses all the city operations, you know, our difficulties with what's going on at the airport included in that? What about the newspaper's reporting a billion dollar deficit on the pension funding, you know, is that figured into this, on the -- you know, we're talking about \$65 million on the chart in front of us, and the paper's talking about far far larger figures. So I wanted you to address that.

>> Jennifer Maguire: This is a good clarification. This is just in our General Fund. We have many other services that we provide in San José, such as our airport. We have our capital program that is funded by different funding sources and we do have the retirement fund. We are not dealing with the airport today but they have a serious problem that needs to be rebalanced. They are considered an enterprise fund. They will not have an effect on the General Fund. The retirement problem and the problem with

pensions, that will hit the city and that will be a year-two issue in 2010-11 when -- because the city puts in contribution rates, it's a shared model where the employees put in contribution rates to pay for retirement. The city also puts in contribution rates. We don't know what those rates are yet. But they will be -- they will significantly make the problem worse in 2010, once we know what those rates are. So that deficit of approximately \$30 million that I was mentioning will go in but I just don't have a number to plug in there.

>> You mentioned enterprise fund, could you explain what that means for us?

>> Jennifer Maguire: We have several funds, several operations in the city that we call -- one is enterprise funds, because the revenue sources that come into those funds, like the airport, they're restricted for airport activities and we cannot use them to fund libraries or community centers or things like that. They're restricted to the uses within that -- that world. Another area would be our water pollution control plant. That is contained within that area of funding those services within that area. So that's what I mean by enterprise funds.

>> That was a really wonderful question, asking what enterprise funds are. If at any point today you are not understanding a term or you need some clarification, don't hesitate to ask. We don't need to be technical here and assume a high level of knowledge and that's not a requirement for today.

>> Hi, what is the average length of time between an entry level employee, level 1 up to level 5 and what is determined after level 5 so far as pay?

>> Jennifer Maguire: I'd say about three years would be the average time that people would progress. And the -- once they get to level 5, then what happens there is they would only get the cost of living increases which are negotiate with -- between the city and the union.

>> Ed Rast: My name is Ed Rast. I have a handout. The people with extra copies hand around the table please. On that handout it basically shows the city has since July 1st, 2006, hired 314 new employees. What is the impact of that on the budget?

>> Jennifer Maguire: Well, we have had like I said we have had a hiring freeze or hiring reduce since 2001. Every position in the city is carefully evaluated for the need and the service impact of not hiring that position. We have had to do some hiring. We obviously are an organization of close to 7,000 positions and we do have people turn over. And so -- and we have to re-fill some positions that are critical. There are a lot of positions that are still left vacant and we do not -- we have not hired them but a lot of the positions, I'm not sure what your data is but a lot of positions like if we have a mechanic that's out in our water pollution control plant, we want our water pollution control plant to work, we will hire that. We have been hiring sworn police officers, sworn firefighters and key positions throughout the organizations. But it depends on the funding source as well. We evaluate funding source because this city has over 100 different funds. We're just talking about the General Fund today which is a billion dollar fund but we do have many, many different funding sources for our position.

>> Ed Rast: The data source is the city's budget of 2008 and '9. It shows between July 1st of 2006 to current, there's 314 people hired. Also, in the -- so that's an increase in overall numbers. Not replacement.

>> Jennifer Maguire: Are you talking -- okay, sure. We'll have to look at that. Okay. We have had to hire -- we've had to add -- you're talk about adding position. We've had to add positions, that's not just replacing people, is what Mr. Rast is referring to, we've actually had to add to our workforce in key areas. I'd have to look at the data now. We've added police officers, we've added one-time positions, key areas of environmental services department to deal with issues over there. So we have added to our airport department which now we're having to -- now we're going to reduce in that area. So it's all over the city where we've had to add in key areas.

>> City Manager Figone: And not all necessarily in the General Fund. What we could do, we should move on at we could, if there are any general questions that Jennifer can add so we can continue with the exercise.

>> Jennifer Maguire: My last slide, then I'm going to turn it over to Kim Walesh. As the mayor mentioned for the last year and a half we've been working on the structural deficit, the mayor and council goal to eliminate that structural deficit. We've worked very hard to come up with strategies to do so and we released a General Fund structural deficit elimination plan in November, it was reviewed by council in December. It's a very fluid document. We'll constantly update it as we get new information. But three areas, there was a three pronged approach in reducing our deficit and eliminating it. We had cost saving strategies, new revenue strategies service reductions and eliminations. We actually identified between \$132 million to \$164 million because some of the strategies are going to be very, very difficult to

eliminate. Some are heavily weighted in the service reduction, the top two categories are very difficult to have happen in a very quick time period under cost savings for example we're doing service delivery model reviews and looking for ways to deliver services in a more cost-efficient or partner with other entities, reducing personnel cost and also, with new revenue strategies, implementing and collecting new revenues is something that's more difficult to do. And I also have to thank all of you who helped support our measures that did help preserve our revenues. I'm going to turn it over to Kim Walesh, and she's going to tell you a little bit about -- I'll take another question and a couple more slides.

>> I've been looking through some of the cards, for example, on things that could be eliminated. For example, I was looking at the eliminated police force boundary units, and whether or not be given the choice of that specifically, there might be an option to offload the cost to a public-private partnership. There were a number of -- this was the one that stood out. And we're not being given that kind of --

>> Jennifer Maguire: You will. Actually there's some blank cards and when Shawn and Kim talk more about the specifics of how we're going to play this exercise today, you'll have a way to talk about that today.

>> That one stands out because there is a benevolent association --

>> Jennifer Maguire: There is a lot of opportunity for that as we do the exercise today.

>> Shawn Spano: Bracket that idea and make sure we get into that today.

>> Kim Walesh: I'm Kim Walesh and it's great to see everyone here this morning. It seems like you can't go anywhere these days without hearing about the national economic crisis and the global economic crisis. But the question I always ask myself when I read or watch television or hear what's going on around us is, how is this really affecting us here in San José? How is it affecting our people? How is it affecting our companies and how is it going to affect our budget situation? So I just want to share with you a few thoughts about how the global economic crisis is starting to affect us here. This as context for thinking about the \$65 million challenge in front of you. So one of the first points I want to make is that this global economic crisis has now exacerbated our ongoing structural deficit problem, right? Ongoing structural deficit is ongoing revenues not keeping up with ongoing cost commitments. That's a problem we've had for quite some time now. Now on top of that we've the ongoing global crisis. What's happened in the last year is when we try to project how much revenue we're going to have starting July 1st, we've had to ratchet down our expectations. Property and sales tax, when we were looking at that a year ago, and Jennifer and her team, looking at how much revenue we would have in '09-10, we thought we would have \$395 million to support city services. Then in February of last year when things started to soften, we had to bring that projection down to \$376 million. As you know things have gotten a lot worse in the last six months. And so in November, when we were looking at next year, we had to bring that projection down eventhrough further to \$353 million. So basically because of the global economic down turn, we have \$31 million less of property and sales tax revenue that we can count on. And some days, we're not even sure if we can count on that! So I just want you to be aware, that's a very specific way and there's not a science to this. But the way I sort of think about it is maybe roughly half of our \$65 million deficit is a structural problem, which we've had for many years, and roughly half of it now has been made worse by the national-global economic crisis. So how does a global crisis affect people here in San José? You can see here, this is a wild ride that we've been on the last seven years as we've been closing deficits. So of course at the peak of the boom you could see that was probably unrealistically high. But we had about a million people employed. And then in four years we sort of hit bottom, on January of '04. In the last year, economists will say, we've lost 11,000 jobs in -- this is in San José area. So in Santa Clara County. But what's important for you to know is that all of that job loss has happened in just November and December. When I did this slide before I went away for Christmas, it said we lost 4,000 jobs through November. And I revised it yesterday, unfortunately to say we've lost 11,000 jobs through December. So the job loss is really just starting to hit us in the jobs sector. That's going to continue through the next several months unfortunately and there's a lag in the public sector and nonprofit sector. I know it's difficult news and I want us to be aware that we're not coming out of this, we're still just heading into this. Next slide, this is for San José residents in particular, our unemployment rate in San José, again as of yesterday, is now 8.6%. It was 7.9% a month ago. In human terms that means 40,000 residents of our city are now unemployed. If I could have the next slide, please. So what -- the most important thing I think I want us to think about is that we've never been in a position like this as a city or as a country. By that I mean nobody really knows what the depth or duration of this recession is going to be. And most economists I talk to they say, you know, never in my professional experience could I see a wider range of

options of where this thing could go. That's why it's very challenging. And so there's two things that are uncertain. One thing that's uncertain is, we don't know if this recession is going to be a moderate recession or a really severe recession. That's that line going across there, called the X axis. On the right it could be a moderately global recession or a very severe reglobal recession on the left. We don't know those global and credit markets, are they going to be open and recover? Or on the bottom there if those global credit and capital markets continue to stay frozen or continue to be volatile, that's the other uncertainty factor. So we're here at this point, and if you just look at the lines up there, there's really four ways this thing could play out. The most positive one is in the top right there, I call that the hockey stick recovery, right? Where we go down for a year and then we blast out of it. We've done that in sloven before. However many are saying that's really unlikely that's going to happen. But that would be terrific. Then we have one bad year and we start growing again. Right below that is moderate recession of one to two years, and then very slow economic growth. On the other side, the recession could be longer. I mean, some people are saying it could be two to four years of prolonged recession, the one on the top-left there. And then we start shooting out of it. The one on the left is the one the whole world wants to avoid, right? This is what they call the long freeze. Maybe a situation like Japan has been in, where it's four to five years that you're just really stuck. And obviously we're going to do everything we can to not have that. So my point is, is that we are going to need to manage together through a time of unprecedented uncertainty. And we're going to have to be really together on this, because we don't know what we're going to be dealt, by factors outside of our control. And some of those traditional ways of approaching our problems, probably aren't going to -- probably aren't going to work because we're just in a different situation. So the last slide I just want to suggest that one thing to think about is in the short term, you want to sort of match the solution to the problems that you have. So on the top there, the structural deficit is a very well-documented problem. The structural deficit needs ongoing solutions. Things that we can do now, that are going to be ongoing into the future, to solve that problem. But part of this is due to cyclical economic down turns. So we may have opportunity for some short-term solutions, some things that we do now to adjust the budget that maybe, in a few years, we can actually bring back. So things that we want to do that are more stop-gap or short term. Those are two ways of thinking about when you look at the solutions which are ongoing, where are they appropriate and what might be short term or stop-gap and where are they appropriate? But over the long term I think it's becoming clear to me personally that we need to work on two things: One is state tax and fiscal reform so that we can have a tax base that's going to grow with our population and our economic activity. And two, that issue Jennifer mentioned of our jobs-housing balance is part of what the general plan task force is going to be looking at very closely as we think about land use planning to 2040. So just a few things about the overall context, and some things to think about, when we're here in San José, looking at our very specific budget challenge for this year.

>> Shawn Spano: Okay, questions, comments in response to Jennifer and Kim's presentation? Okay, that sets the -- the context and so we heard about the city's structural budget deficit, and the larger economic climate in which the city is operating in. We're going to move now into the next segment of the agenda which is to hear from the city service area leads about their services, what those city service areas are. You have a document that you were e-mailed in advance, and the CSA leads will walk you through those. Did I see a question over there? Oh, no, okay. We're okay. So the -- we're going to give them about three minutes, three minutes -- we do have a question.

>> Yeah, I do have one question.

>> Shawn Spano: Hold just one second, we'll get you a microphone.

>> Yes, I did have one question, just a curiosity in terms of economic development and businesses. Because one thing that you pointed out was jobs in relation to residents. I know that's what we were talking about in terms of loss of jobs. Do we keep any metric or anything where we keep a percentage of types of industries that we try to maintain in the City of San José, for instance, do we try to remain 25% of medical tech companies, 25% of high tech companies or something along that formula or try to maintain that, so you don't fall below a certain percent? Do we do anything like that?

>> Kim Walesh: You know, we try to help all kinds of companies that want to grow and succeed here. I mean to have a healthy economy, generally, about a third of your companies are in those industries that are export industries like the high-tech industries. But then the majority of people actually work for the business support industries and the personal services industries like retail and it turns out some are important for different reasons. Some are important for the job, some are important for the tax revenue and some are important for the quality of life in the community. I can say in this last year we've had a very

strong focus on clean-tech jobs. Last year alone there was really positive news, \$2 billion of venture capital went into clean technology jobs in this region. And we've attracted about five solar companies and talking to several other ones. In a time when jobs are collapsing if we had any can focus it would be solar and also retail, it is hard to get retail wins in the short term because the retail sector is so troubled.

>> Thank you. One of the things that I didn't see in the breakout of dollars was, money that we've obtained through outside resources through grants or other special programs for example, sidewalk repair programs that we can apply through other agencies. I don't see it in any of the line-items here. Will that come out somewhere along the line? Because I'd like to know how much we applied for, how much we got, compared to maybe how much was actually out there that we could be eligible for.

>> Jennifer Maguire: Thank you for that question. We do actively look for grants and other resources, and all throughout, from other local agencies and we partner to leverage money. It's -- and it's not just in the General Fund, it is throughout all our city system and all the services we do. I don't have an exact number for you but -- so some of the other sources, we even get sources from -- let me give you one good example. Antitobacco revenue. So we get I think about \$9 million a year from a settlement from the cigarette companies that come into the city that we actually have in a special fund, it's not in the General Fund, to help provide social services in this community and also helps with our children's health -- the children's health initiative with the county. So we have all kinds of different sources. We have our community development block grant money, we have just so many that we try to leverage as much as possible. And all of the departments are constantly trying to find out ways to get revenues to help out our city. The police department is a good example of they're constantly getting grants from the state of California and the federal government.

>> Back to the prior gentleman's question, so essentially, we don't actually specify, you know, percentages that go into different jobs. We just how companies to come in at will, and we encourage them to develop. Is that it?

>> Kim Walesh: Most of our job growth because we are Silicon Valley happens from companies that are already here that are expanding. That is actually our top priority because that's where our job and our revenue base comes from. And then sometimes we have companies that will come in from another country or another part of the Bay Area or another part of the country. But my point is that we really focus on those driving, high-tech industries. So we don't focus exclusively on those. Because the other sectors including sectors that have large numbers of small businesses in them are very important for our livelihood and our tax base here. And that's typical way that economic development professionals actually approach this in other communities. You need be very, very opportunistic and also strategic at the same time.

>> Joe Horwedel: The one piece I'll add to that, it was mentioned the 2040 general plan, we do plan for different types of jobs in this city, whether they're retail jobs, manufacturing jobs, or they're office-type jobs. So we make land available, we preserve that land, plan for the right ratios. We're going through that exercise right now with the general plan task force, what is that going to look 40 years from now, what are the jobs. If you looked 20 years ago, no one would have thought of green tech jobs. That does go on and we do try to anticipate it. Yeah, in the end, the city isn't in the business of saying we have too many office jobs or too many retail jobs. We don't have a lot of controls around that piece of it.

>> Just one question. Do you have the breakdown on these percentages available now, the stats, how much tax money is coming in from manufacturing, retail and other things, the plans you use to make your decisions?

>> Kim Walesh: Yes, we can provide that, sure.

>> Ed Rast: There are a lot of people believe there is a direct relationship between the taxes the city charges and companies coming here. San José has the highest cost of city taxes and fees of any city around. When you look at the Kismont study, basically it's on the page 3 of the handout, what you find is that Kismont is the people that put out for 15 years now the cost of doing business and if you look at the study and you compare it against the number of jobs you'll find that we are the only of two cities in the county that have a high cost of city taxes and fees, and we are both those cities, us and Gilroy has very low job numbers. Everybody around us has very low to low or medium and they have lots of jobs. So do you see a correlation between the City's charges, and keeping businesses out of San José?

>> Joe Horwedel: I think it's the direct relation of jobs-housing balance in the city. The number of employed residents who live in San José and has the opportunity to have jobs in San José. Most of those cities have three to one jobs to residents and we have less than one job per resident. So it's a functional base.

>> If I can kind of tag on to what you're saying because I've been attending the general plan task force meetings. So we're here today to look at either you know increasing taxes or cutting services. But simultaneously we're also looking at increasing the population by a tremendous amount. Isn't decreasing services going to cause more problems as we go? Aren't we going to cause more problems in the long run?

>> Joe Horwedel: Those choices, the task force will be grappling with that in the next month. We actually were going to talk about it next week but we didn't have the numbers ready. But that is the timely conversation right now. We're running --

>> Shawn Spano: Let's take one more question and then we're going to move on.

>> I'm curious about what you've commented on. Since city -- since we pay taxes, I'm assuming that taxes from us, are supposed to go towards services, basic services that we are paying for. So how are we prioritizing that, especially as we increase people in terms of density without businesses carrying some of that burden?

>> City Manager Figone: I'm going to ask Kim to help me respond to this question. But just to put it in context I want to ensure that you understand that for every dollar of the property tax that you pay, the city only receives about 9 cents of that. People are usually quite surprised of that. Out of every 8.25 cents in sales taxes, only a penny comes back to the city. All of your taxes at this point probably pay for less than this, last time I checked the numbers, all the sales tax and property tax combined only pay for 75% of police and fire services to the city. So the concept that we all believe we pay our taxes, what's the problem? The tax structure, and that was the point that Kim made for the long term, in the state of California, that funds local governments, is broken. So you know, in part, the structural deficit is the City's challenge, in terms of matching expenses with revenue that we have, the reality that we're living with, which is the reality on the table today, but in the longer term, things like proposition 13 and having a sales tax structure based on an industrial economy when we're a service economy isn't working any longer. So one of the strategies in the industrial deficit elimination plan that our task force recommended to us is that our mayor and council and our city take a leadership role in the State of California in trying to change that system. But as you all know, that's a long-term prospect. Look what happens happening in Sacramento right now. It's a political issue. So the tax dollars that we have in hand are not sufficient to provide the level of service that the city has demanded. So that's really the issue at hand.

>> Kim Walesh: I think Debra is absolutely right. Your fundamental question is why we're all here today. How do we prioritize the services that the city should provide with our tax dollars? That's what this is about. It's ultimately based on values, and what our mayor and council decides, by listening to the people here. It's based on the A money we -- the amount of we have, the type of community we want to be. I can tell you the population in two years is going to be over 55, over 65. As your community changes, your priorities may change. That is exactly what that purpose of today's exercise is.

>> Shawn Spano: Moving on, let's look at the city service areas, relating to the cards you have on the table and leading us into the exercise. We'll start with Community and Economic Development. Joe Horwedel. You've already immediate him.

>> Joe Horwedel: Thanks, Shawn. What is the quality of life, how do we go through and have a proper mix of the economy, how do we become a sustainable organization. So next. Within our city service area, there are a large number of departments that -- involved in this, the City Manager's office, economic development, Planning, Building, and Code Enforcement, fire, housing, redevelopment agency. What you see here are a number of services. What's really misleading on this is a lot of these are fee supported, enterprise funds we were talking about. The actual General Fund in here is about \$10 million, to give you a proportion, in Planning, Building, and Code Enforcement, we're over a \$30 million business, less than 4 of that is General Fund. Most of it is development fees. For moneys we collect, CDBG, most of those things General Fund, long range planning, where is this city head, how do we go through on economic development, how do we grow our business, how do we grow the pie for this city, to make sure we're well positioned in the future. Housing is a great partner with that piece of it, and in the convention center is the source of where some of those General Fund moneys go. The issues that we're facing are in the trend, development is down tremendously. We're going to be talking this Tuesday with the council and dealing with some layoffs there. But that has impacts into construction taxes which pay for capital improvements in your neighborhood, it's the construction and conveyance taxes that help fund other improvements in the city. We do have rising unemployment across the city that deals with some of the strength of the businesses in our community. Green industries being one of those bright spots. The retail sales are slowing substantially, you know that the circuit city is closing, that type of thing. That affects the sales tax

that is coming into the city. We are looking at different ways to do retail in the city but it's really tough right now. And then just the decline in each of our homes. If you look at Zillo it's not a good thing to look at. As you heard earlier, it affects the property taxes coming into the city to pay for basic services. Next. We are looking at a number of different proposals about trying to focus on growing revenues, moving money between funds, trying to reduce our dependence on the General Fund. We've been doing that for about eight years, different areas to look at. Reducing the money we put into some of our organizations such as Team San José, the convention center, they have other sources of funds that have been growing, to be able to essentially put this to other priorities in the city. Looking at our service delivery models, it's something that's been an ongoing focus for this CSA over the last number of years and doing some major strategy investment to look at how, if we made an investment of dollars here could we get more back from that, whether that's trying to generate retail, those types of things, and we are proposing reductions in certain areas of just programs. Because we have winnowed down year after year after year, down to the last nub of services and do we deliver these services are not? They are not popular choices up there, these are important services to the city, but we're there.

>> Shawn Spano: That's an overview of Community and Economic Development. Let's move on to neighborhood services. Presenting will be Albert Balagso, director of PRNS.

>> Albert Balagso: Good morning. You'll need a little more energy at the end of the exercise. If you look at neighborhood services and if you kind of look at where you live today or even the choices you made throughout your life to select places to live, you look at location, you look at the affordability, you look at the safety of the area you look at where are the schools, where are the parks, where are the libraries, where are the recreational facilities. The quality of life that keep you there, that's pretty much in a nutshell what's in neighborhood services. There's Parks, Recreation, and Neighborhood Services, there's a library, code enforcement, and animal services because you don't want dogs running through your neighborhood. So these are all the things that we try to put together to make a better quality of life in any neighborhood throughout the City of San José. Now, on to the next one please. Now, the key emerging trends and themes that we do have is we have been moving towards increasing fees and fines for library books that are overdue, over the course of time. And that has been a trend that we have been following, trying to keep up with what are the costs that are associated with providing these services. In addition, we've been moving more towards technology, library has self-checkout so those of you who have used the library. We are moving towards automation in Parks, Recreation, and Neighborhood Services. We will be going online in March of this year. So you'll be able to access from a library, the comfort of your home or anywhere you can get access to a terminal. Now the needs for services during a recession, during these times when somebody wants to have a birthday party or the their child, maybe the choice isn't chucke cheese, it's a park, a jump house, a barbecue, people are going to the library to get movies and books instead of blockbuster or Barnes and Noble. We have been building new facility since 2002 as a result of the voter approved measure P. You have new community services, new libraries and amenities that are out there and they are indeed being used. On to the next one please. Some of the preliminary budget proposals that you have in front of you on the tickets, the increased user fees rental fees and sponsorships and PRNS and higher fines on libraries. PRNS is moving towards creating a revenue and pricing strategy of how can we be more cost-recovery. Now, we're not talking about pricing anybody away from using any of the services that we have because you have to ensure that there is some type of scholarship component, went ahead with Tina because there's neighborhoods that get involved to help create these sponsorship opportunities so everybody can participate. The idea is there is a population that can afford to pay and if you can do that then we can afford to subsidize the programs and services for those who cannot. I was part of a meeting yesterday with parks and recreation directors from Santa Clara County and Santa Cruz county generally across the board with many of the municipalities their cost recovery rate in Parks, Recreation, and Neighborhood Services is about 70%, and at San José we're at 11%. I wouldn't propose that we could attain that because larger municipalities, Denver, Los Angeles Dallas are more in the range of 20 to 30%. We think we can do better. But it takes us moving in that direction. And if we can raise, say, 2 to \$4 million in the next couple of years, the difference of that is, and you'll see the tickets on the table, can you combine antigraffiti, antigang, some homework center components and other services that we may not have to consider, if we can make the difference of costing up fees to recover cost as opposed to reliance on the General Fund. It is one of the strategies we're looking at. Jennifer had a little bit of talk on the antitobacco funds, and those are usable as well. Reductions of time at the library, we've got seven days versus five days versus four days versus three days. And finally reshaping the fees and the community centers. When I talked to you earlier about

the fee structure the population that can pay these fees are the work population. So our hours can't be 9:00 to 5:00. They've got to be evening hours, 5:00 to 10:00, and weekends, so the working population can access the facilities we have.

>> Shawn Spano: Thank you, public safety, Rob Davis will be presenting, Chief of Police. As you're listen going these presentations you're thinking about the services that you're talking about, how do they figure into the visions for the city. We're setting the stage. Rob.

>> Rob Davis: Thank you very much Shawn. I appreciate everyone taking time out on a Saturday morning to come down here means a great deal to us, we appreciate it. I saw a bumper sticker that said democracy is not a spectator sport and it's not. So we're all in here together and we'll get through this budget cycle, I'm sure we will. As far as the missions of the public safety sector, understand who is in that. It is police, fire, the office of emergency service and also the office of the independent police auditor. I won't go into a great deal of detail about what we do, I think you know what we do. The emergency services unit is a unit that helps us plan and prepare for emergencies and also runs our emergency planning center if and when we would need to open that up. Key emerging trends and things. I would like to underscore what's been mentioned by our budget folks. Is e-it's not as if we haven't had the problem in the past. Every single city department is looking at frozen positions over the last couple of years. We are stripping down to the bone and looking at that spine to continue as much service as we can. But you have to keep this in context. Understand a lot of that fluff or fat has already been cut out of all the different departments. One other point I'd like to make is on the previous slides you did not see other services we rely on as a police department particularly. That is to say that yes we are organizing -- organized in these city service areas these CSAs but understand there's also collaboration and cooperation among these CSAs. Parks, Recreation, and Neighborhood Services department, that is where we have our mayor's gang prevention task force staffing, that's where we do a lot of interaction with neighborhood groups that are trying to impact that. In the Public Safety CSA we consider PRNS, or Parks, Recreation, and Neighborhood Services part of our system, as well. So you just need to keep that in context as you're looking at these issues today. Some of the general themes and trends, obviously the economic down turn obviously results in increase for services. When people are out of work that are going through stress we see energies in things like domestic violence, theft, things like that. Fire department, people turn to 911 with medical services to try to help them with their medical issues. It puts a greater stress on fire department and the police department. Obviously, increased growth, as we continue to grow the city even annex parts of the county to the city, that has an impact to our city because it reduces the number people available to respond to those calls. We know as an emerging theme, we've lost that title of safest big city in America, we don't have as many people to be proactive in some of the things we're trying to do to reduce some of the crime that exists. For instance we've been very successful over several decades in San José because our business model is such that we try in not only suppress crime and arrest people for crime that we try to do the intervention piece. You have to do that by being proactive and intervene when you can. As we begin to introduce services we have to fall back more and more from those core services, specialized proactive teams to impact crime on the front end. We know what's happened over the last several years is a lot of the money going to local law enforcements across the country was diverted to the global Homeland Security efforts. We saw that in organizations like the federal bureau of investigation, they were taken off white collar crime and put on antiterrorist issues. We see those funds coming back to local government, to use those grants to identify and target things that are going on with our own local communities but also to get some of that money coming back to local law enforcement in the process. So that's an opportunity perhaps we'll see as an emerging trend as this new administration gets off the ground. Some of the preliminary budgetary proposals that you see, again perhaps there are opportunities I just mentioned where we can shift some of these General Fund costs to those grants. That is dependent on the grants existing and depending on where the grant is coming we could see those cuts. There is a significant amount of grant we get throughout the year from the state to help us with traffic issues. To the extent that the state continues to have problems we may see some of that grant funding go away. We have had grants that have helped us do antihigh tech crimes. They have already advised us that in this year half the grant money is going to be going away. So we're going to have to figure out how we can continue to fund that. So while we're looking at perhaps relying on grants to help us we are also in the environment where grants are going away. For us, what is key is what they are doing at national level to get some of that Department of Homeland Security funds bake into police and fire. Fire to EMS contractual minimums, this is one of the things being put on the table, police and fire is in the same boat. What we're looking at is the hard core stuff now. Police department proposals you'll

see specialized units there, that gets back to the topic I've mentioned just a moment ago where if we start to lose those special unit teams we begin to impact the other core services that we have. It's kind of like trying to play a football game with only using your offensive line. I think you can feel the analogy, what we're doing is falling back and becoming one dimensional in our approach to police enforcement and fire safety. We're looking at creating new fees to recover cost for services. We're looking at how much we charge on reports. Are we recovering our cost for what it takes us to tow a car, are we trying to pass that price on to reduce the impact on the city. At the time, we are looking at doing that when there's less money for people to pay for those services. So it's a dilemma we're facing. There's a proposal that absolutely nobody likes, we're looking at eliminating school safety programs, including some of the school crossing guard activities. It's a service that our city provides that most other major cities don't necessarily provide but it's a huge budget impact for the city. So basically what you're seeing in terms of public safety proposals on your table, are things that nobody likes. But literally we are at that stage where we have cut so far to the bone there is nothing else to cut. So we've got those hard choices to make. And I'll wrap it up, Shawn, I don't know if you want to take questions at this point.

>> Shawn Spano: Let's take a question here.

>> I have a question on eliminating school safety programs including education and school crossing guards. Would that -- would part of that elimination extend to CBOs, safe schools and stuff like that that are currently operating at the schools?

>> Rob Davis: Well, we're looking at everything. I believe you'll see it's not all or nothing. There may be proposals where you cut it in half and don't pay as much attention to the middle schools as elementary schools, educational programs, yes, we can absolutely look at those on a one by one basis. But we're looking at everything we have to look at. There's nothing we haven't looked at at the police department and fire department to figure out where we can cut something and offer that up as an opportunity to you to look at, say where we go, do we keep it or don't we.

>> I have a question, how much of the proactivity policing services farmed out to neighborhood, adults or [Off microphone]

>> Rob Davis: I'm talking about our metro teams, dealing with homeless issues in the river park, a team that goes out and deals with prostitution, a team that deals with human trafficking, people that are being sold. We know there are people that are being imported here, and don't speak English, how do we deal with that? If you let just the prostitution issue go by that you know, if you're thinking perhaps if we don't edit with prostitution, we'll have more prostitution. But you have to understand more prostitution means you will have more of this, more of nap all crime is connected in some way, shape or form. Teams dealing with prostitution, dealing with the narcotics sales going on in the straight, the neighborhood traffic enforcement, what's the core service of a police department? You pick up 911 a call for an officer and you want that officer or the firefighter to show up at your door but these specialize he teams deal with the problem in advance so you don't have to pick up the phone to call 911. So to the extent that we have to provide that core service if you have an emergency we're going to trend towards that but all this other stuff gets cut in the meantime and we lose that other stuff in the prevention, the intervention. Is this make sense?

>> Kind of two parts. I saw on one of the previous slides about special events. Does police, in that matter fire, do they generate events ticketing, where does it go 100% to the police or to the city coffers? Like we are all volunteers, is there any type of a program that the police officers could possibly do a volunteer program and give of themselves because they are fairly well taken care of with benefits and salaries and that, that a lot of us don't have. Yet we're still able to do a volunteer. So is there something that's pushing in that direction?

>> Rob Davis: First answer, I think the City Manager did an excellent job of describing how it is that tax money actually gets carved back out down to the cities. She stated I'd underscore it 9 cents of every property tax dollar comes to the city and about a penny out of the sales tax, of the .75% sales tax. It's the same with the traffic ticket. Fines go to all sorts of things. Literally for those of you who have been to traffic court and I know many of you have not -- [Laughter]

>> Rob Davis: If you listen carefully when that judge issues that fine, he or she will say something like there's this much money, like a \$90 fine for running the red light, there is a \$20, 1, 5, the state has tacked on so many different pieces of that fine when you're paying a \$300 fine for something very, very little of that actually comes back to the city. To think let's write more tickets to educate more funds for the city isn't really realistic, we just don't see it. Second part of your question, yes, I think there's a lot of things that the community is already doing to help us. We have a volunteer program for the police department,

called the volt program. We don't have to have full time officers doing those things. One of the things looking at the school districts are perhaps looking at that time school crossing guard situation, whereas not having two or three police department employees, other people just working on a part time basis doing that but might there be a possibility that some parents would be willing to help, and pitch in and volunteer so we could have somebody helping -- [Off microphone]

>> The question was can paid police staff and officers start volunteering as well, to maybe go to the school, and do -- do the programs of teaching, that's what I meant.

>> Rob Davis: Sure. I would venture to say that there are any number of officers, I don't know the exact percentage of time they would donate, they do this. It doesn't me they couldn't do more of it.

>> I work at San Jose State university and as staff, employees we have started a program where we have adopted a fifth grade class at McKinley school. It's a concerted effort that the college of education is doing. Is there something that the police department can, as management, implement something and say hey guys, it's in your mailbox, we're looking for volunteers, to the schools funding has been cut, we're looking for volunteers to fill in.

>> Rob Davis: I think there's value in that. I'd be willing to look at that, I'm willing to hear that and do nap one dilemma is you have to understand also that a significant number of officers do not even live in this community. So when they're off duty, they're volunteering but they're volunteering in Tracy and Manteca and other municipalities.

>> City Manager Figone: Should have that on one of the cards. That's one more question and then we need to move on.

>> Chief Davis, I want to say you're an amazing man to me. What little you have to work with and where you brought the department up it should speak volumes to everyone. I'm surprised, maybe cities are after you. So I want to first say that. And with that, you know, like any business that has -- that becomes number one, there is a competitive edge you keep maintaining. To do that you need investment. With what you've done in your record I'm going to say I'm beholden because you've done, I think more investment in Public Safety in order to maintain that. You've been a victim of your own success, I just wanted to say [applause]

>> Shawn Spano: Excellent. We're going to move on to the next city service area. And some of these ideas that are percolating up, note those. These are the ideas we want you to put on the table as we start this exercise. We are moving on to transportation and aviation services. This is.

>> Jennifer Maguire: Helmer director of safety and transportation.

>> Jim Helmer: Good morning everybody. As indicated, the transportation CSA, we deal with every aspect of the trip from your home here, whether you walked, drove, rode a bike or public transit, the airport, which we aren't going to focus on much here today, and the part of our areas of services those part of the police department that enforce our traffic laws. We team up with the transportation department and the police department and how to educate our citizens and engineering and which areas need enforcement. The area of our mission, that mission applies perfectly between the airport and the police department and the Department of Transportation as our primary goal is safety. We have a huge impact, hopefully positive, on our economy. And we also have a major impact on the quality of life and the community livability, if our systems are working the way they should. Yes, next slide. I'll just jump to our key emerging trends and themes. We do have an excellent traffic safety record in San José. All of you contribute to that. We are about half the national average in fatality traffic rates. It would be another 3,000 per year, projecting out to national average, and emergency calls on our paramedics, police department and emergency officers. And and it's a tremendous loss to our community every time we have an injury or fatality. So we do have an excellent traffic safety record. On that hockey stick, it made me think of the sharks. Every time there is an event at the arena, we have one person who is creating signals, cameras, changeable message signs and communicating to all the officers out there. That's one staff person. That's where you can leverage your investment to provide good services. The infrastructure is growing. We add about a thousand street lights a year. In my career, we've doubled the amount of traffic signals from 400 to 900. And also with county annexations, we brought on 20 miles of county road last year. Our inventory is growing, our taxes are slinking. People are buying less and less gas, right? And the only way we get our revenues is through the gallons of gas sold. So the more efficient the car, the less gas consumed, and the more alternatives, like plug-in hybrids and electric vehicles that we go to, obviously we are not in a sustainable situation at the national level to fund our streets and roads across the nation or our transit system. That is a major, major national issue. And then also I would say with development down, we aren't getting our share of the construction fees. So our capital staff numbers are going down this year

and therefore we cannot build the traffic signal you need through those development fees. So we are -- are seeing shrinking resources in a major way. Our maintenance backlog is growing. Certainly the thing we talk about the most, our biggest problem is our \$280 million estimate on deferred maintenance on our roads. And that's growing by 10 to \$20 million per year. We're not getting as much federal money for that. We're certainly on line with the federal economic stimulus package but we're not getting enough state money for that and we don't get enough local money out of our property and retail taxes. Very important to our community is they want congestion relief, they want their signals timed properly. They don't want to go on a trip across town and hit every light red. Or have problems on their streets that results in safety or poor street conditions. So once again, we know a couple of your priorities are really the smooth flow of your trip, as well as the condition of the roadway, and the traffic control devices that were on that street. We've had to rely more on property owners in the last few years. We talked about sidewalk grants earlier. Right now, the city does not have sidewalk grants to give to property owners. We had to let those go about three budget cycles go. So the repair and maintenance of the sidewalks unfortunately falls on those property owners that are adjacent to the sidewalk. Last year we had to let go of our tree crews. We have no more emergency maintenance tree crew. And again in San José, municipal code, the responsibility for the street tree is the property owner behind that street tree. So more and more of our ability to take care of assets that aren't necessarily completely 100% of the city's, are lessening. We do need a more sustainable model. Ace mentioned the gas tax is not sustainable. We do not want to turn off our street lights. We'd rather dim them or control them through electronics through new technologies. So we do need to think clean, and green, and go after the mayor and council's green vision, in terms of a cleaner transportation system. Some of our preliminary budget -- oh, yes, sir. [Off microphone]

>> I understand -- I understand when you say your city's depending more upon us to take care of things for what the city should be doing, because we do pay our taxes. We pay and we get little back in return. But then what happens is, for example, the tree trimming, okay. It's our responsibility, but then we have an ordinance that we have to go get permits, pay more and more and more. If you're going to expect us to do things for you, you should at least make it a little easier and cheaper for us and not keep charging us. [applause]

>> Jim Helmer: Thank you. That's a very good point. And the cost for us to deliver permits and inspections continues to rise. We try to hold our cost down. For instance, the tree permit is a no-cost permit. But the cost to do the inspection, with real labor time, does add up, sir. [Off microphone]

>> Step, by the way.

>> Jim Helmer: I appreciate that. The next slide, please. Some of the preliminary budget proposals that we are looking at is are there any ways in which we can take services from the General Fund and apply them to a special fund? For instance, as we do litter pickup, and the litter goes into the storm drain and you've seen the clogged catch basins, can we apply that possibly to the storm fund, the General Fund, take those savings and apply it to our deficit reduction plan. That's just an example. Parking citation increases. Unlike the traffic citation, the city does receive the lion's share of a park citation. We want to have the safest streets in the city. Should we look at raising some of those park fines that we have not raised in years? Should we focus on those, that are primary impacting our safety? Such as blocking a wheelchair ramp, blocking a fire hydrant, blocking a crosswalk? If we allow those violations, then we in fact don't have as good a safety record. We don't want to have violations just to raise revenue. We want to get the desired outcome. Expanding metered zones -- yes, sir.

>> Ed Rast: All right. My understanding, the MTC put out a report just recently that showed San José had the worst rates in all of Santa Clara County. I think we're rated at 62. It said if you don't fix your streets when you get down in the 60s and that's the overall average of all streets in San José, if you don't fix your streets, the cost goes up five or six times. What is the city attempting to do, so we don't pay a couple hundred thousand, millions per eat Street? Second of all, it's my belief that the city staff and management are doing a very good job with very little resources and staff. So, you know, it's part of I think we need to take a look at, like was mentioned before having volunteers do it. But we've got to get the information.

>> Jim Helmer: The numbers are accurate, we do have the lowest ratings of the all of the streets in Santa Clara. When the street does get down to the 50 pavement condition index, we call it the PCI, the street is due for replacement at 50. When it gets worse and worse at 40 and 30, actually the cost is not increasing as much at that point because it's already due for replacement, and all of the same techniques have to be used. We're more about prevention, I can say. We're trying to keep those at 60 from dropping

to 50. So we're trying to maximize our investments through sealing processes, crack-sealing and other means, to keep the streets from getting worse. When we do get some additional large dollars from some state grant or a federal grant, we try to apportion it to the very worst streets. Thank you. Should I go on? Okay.

>> Yes, I'm Bob Sipple from district 6. Going back to your park citation, we have a very aggressive neighborhood watch program in our neighborhood. And when somebody blocks a fire hydrant or whatever the case may be, we call in. Currently what ends up happening however is PD comes out, and since our police officers to me are better served by doing or taking care of something more serious, not that that can't be, is there a way that we can change that type of call to go to the traffic control, citation officer, if that's the correct terminology where they would in fact come out and cite versus having PD coming out?

>> Jim Helmer: Absolutely. We need to take care of that. Absolutely. We need to take care of that. We need to make sure that when you're dealing with a parking issue or a towing issue there are numbers that do not involve sworn uniformed officers. We need to involve parking control. I know we're under a time pressure. Should I do more -- yes, sir.

>> I'm not sure if this really goes to coincide with this but do I want to mention I'm in district 6 over by in the quarry neighborhood and we have several neighbors that are complaining about people that have cars parked on their lawn and stuff. And I'm not sure if you're quite familiar with the process, how long it is to get someone to actually remove their car. I think our laws you know need to be looked at. If you know that there is -- you're breaking the law and you park your car on the lawns, it shouldn't take six months to give them the first warning or \$75 thing. We need to react a little faster.

>> Jim Helmer: Thank you, we will include that. I do thank all of you. I will turn it back over to Kim Walesh who will talk about our next part.

>> Kim Walesh: Thank you. The moment you've all been waiting for. [Off microphone] okay. I'm going to give you the instructions for the exercise. And then you guys really look like you need a break. So after you get the instructions, we're going to give you five minutes to sort of stand up, stretch, get some air, and then come back and just start when your table is ready. So if you could, at your table, there are instructions, if everybody could pull this out. It says "City Manager for a day" at the top. So let's just go to the top of the sheet. Just pass those around, make sure everybody has one. If you're short, for some reason, just raise your hand, we'll get more to you. Okay. So if you look at the top of the sheet, it basically says here's the situation. You are the San José City Manager. Collectively. And must submit a balanced budget in one hour to the mayor and council. Your staff projects a \$65 million deficit, given current revenue sources and expenditure commitments. You have solicited a range of revenue-raising and cost reducing ideas from staff. You also have ideas from past budgets, as well as some of your own. While you know this will be very, very hard, you must consider the ideas, make some decisions, and submit your proposal in an hour. There's really only five simple rules here. Rule number 1 is, you must submit a balanced budget that closes the \$65 million gap this year. So that means, if you come back and you say, "sorry, I only have \$35 million," or you say "you know, I can't solve it this year but five years from now, I know how to do it," you may not have a long career as a City Manager. I want you to do everything you can to get that \$65 million gap this year, got that, okay? Rule number 2, you must chiefly use the ideas on the table for this exercise. So at your table, may I ask you guys to help me out here? You should have green cards. If somebody could hold up the green cards. So the green cards are new revenue ideas. Then you also have, on the left-hand side, budget reduction ideas. And I want you to notice, there's three categories. There's basically the small-change ideas, in blue, if you could hold up the blue ones here, in blue. Those are the ideas between \$250 million and \$2 million. Small change ideas for the city. So those are small ideas. In the middle here, purple cards. Everybody got purple cards? Niece are budget ideas that get us between 2 and 4 million, sort of the medium ideas. And the yellow cards are the big Cahunas, these are the ones that get us over \$4 million in budget reduction. Guys, please. Notice you have two other kinds of cards on the table. There are gray cards that have words on them. Now, these are ideas that are great ideas, that have come from staff, or come from the General Fund deficit advisory group, but these ideas don't work today. These are good ideas, we wanted to put them there, they may be good for future years but they're not going to help us starting July 1. Just wanted you to see those. And now, perhaps most important, you do have ideas for blank cards. So you can come up with a new proposal to raise revenue, or to cut the budget. However, in order for you to actually use this card in your game, to solve the budget this year, you must get the real City Manager's initials on this card, that it can actually happen, starting July 1! Okay? So if you have an idea, great! Good ideas can come from

anywhere in the community. It has to be practical for this year. If you have ideas for future years, feel free to write them on the cards, and we'll collect them. But you can't play it on the board game for this year. Makes sense? [Off microphone]

>> Kim Walesh: Actually there's one card which is the big yellow card that does have to do with city salaries and benefits. At this point, that's the only one. Okay. Number 4: You may ask questions of any of the resource people in the room. Guys, please, sorry, I know, I just want to get through this. It will be easier once you start. If you have a question this is what you do. If you raise the card, there will be mostly a city staff person at the table. If not, we'll come to your table and attempt to answer the question. Raise the red card. When you're done, we're going to give you a 30-minute warning, a ten-minute warning and a five deny minute warning. When you're done, just pile up the cards that you want to use in the appropriate place on the table, and then put, on here, what is your subtotal and what are the number of proposals in each category. And then on the very bottom, you'll see that there's sort of a grand total for revenue and grand total for expense ideas. I just want to emphasize, maybe you can get an idea of what the exercise is. There's no right answer. This is all about how are you going to approach it, how are you going to talk about it. We just want you to do your best to discuss the options and do your best at being City Manager and putting forward a budget. So don't get bogged down in a lot of the details. It's not like a technical exercise. There's no right answer. It's really meant to be sort of broad-brushed, okay? I'm just going to ask quickly if there's any questions on what we're doing and then know that as you get into it, if you have further questions, just raise that red card, and we'll come and help. Okay, questions are between you and the break so -- yes, ma'am. [Off microphone]

>> Kim Walesh: Yes, she's saying, what if you raise the red card and nobody in this room has the answer? Well, we're going to do our best to get the best approximate answer. But sometimes City Managers need to make decisions if they don't have the right answer. But we'll get you the answer with the best reliability.

>> I appreciate what's written on here, what happens written on here, are these issues that we're currently have issues with, that the department is currently having issues with?

>> Kim Walesh: Niece are all real proposals in the sense that they've been considered by the department heads or they've come from the general plan deficit advisory group and the plan of the City Manager or they've come from past budgets. So all of these ideas have really been vetted. Doesn't mean -- and they're currently being vetted. They are currently, all cards are on the table, if you will. Yes, ma'am.

>> Before we start the exercise, what are the colored dots that are supposed to be -- that was given to us on the table?

>> Kim Walesh: That was initially, we thought we would sign you to a table, but we thought everybody would sit where you'd like. Some of the tables are small, if you want to sit in a table that is three or four people, clearly, fill in, there's room. One more question, and then we'll get you started. Listen to the question and then I promise we'll give you a break. Yes, ma'am.

>> One of the things is, I know the City Auditor had a report last year. Would that be helpful for us? I notice that there are copies out there.

>> Kim Walesh: Yes, actually just this week the City Auditor released a report about all the services the city provides. We brought copies for everybody in this room who might want one to get afterwards. If you want to grab one now, like I said I would kind of discourage that. That is a lot of detail. I think that would make as good reading. This is broad brush and most of the information is either on the cards, rather than reading through a whole document to get to it. Back to Shawn.

>> Shawn Spano: There was a question about process at your tables. Let me make a couple of quick suggestions. Assign a table captain, somebody who will keep the group on track and record ideas that don't end up on the table. And I would encourage you to work through the cards first. Don't just jump into making decisions. See what the cards are all about. Pass them around, make sure you are comfortable about what's on the table before you make decision. Last point, maximize participation. Try to hear from everybody at the table. We're on break. Good luck, have at it, and we'll be checking with you in about 30 minutes. [Recess]

>> Shawn Spano: Make your way back to your seats. We are going to reconvene as a large group. We'll let this do last-minute. While they're doing that, we have had one of San José's new councilmembers join us today and that's Ash Kalra, and congratulations. We'll have a large group, discussion questions, I'll read those and if you don't like those you can ask others and ask those. What surprised you the most, what was most difficult about this exercise? Away was the most important thing you learned from doing this exercise? And what advice do you have for the mayor, city council, and City Manager, as they enter

into the '09-'10 budget process? So we have microphones and people will handle the microphones around the room. And let's open it up for discussion. The most important things we want to hear about is your experience going through this exercise. And let's start with Ed.

>> Ed Rast: What surprised me most is there was little or no emphasis on economic development stuff. I think you need to start on it now and put as much emphasis on it as you can.

>> Shawn Spano: Other reaction. Over here. Here we go.

>> What surprised me most about the exercise is how quickly as a team we were actually able to get stuff done. When you get a group of people together on an exercise like this there's a lot of time spent on other things and you don't actually end up getting to concur goal. I was surprised at how quickly we were able to actually focus and actually reach our goal.

>> Shawn Spano: What do you think is to account for that?

>> Obviously this table was so -- table of overachievers but I think it's because everybody understands how dire the situation is and how important it is and we all started off sharing our values and we all had very similar values. I think our concerns were pretty much aligned and helped us achieve our goal.

>> Shawn Spano: We'll go over here.

>> What I don't like is it's a very short vision. If you look one, would, three years in advance you'll never get to the five, six years in advance. There are things you can do to help us out over the long term but to keep the short low vision we'll keep doing it year after year and we'll any never get out of this. Look long term.

>> Shawn Spano: Excellent. I think that's stuff the City Manager and mayor and council are having to deal with. Over here.

>> I think the room is full of a lot of people who knows what's going on in the city and who are reacting well to trying to figure out what will help us.

>> Shawn Spano: So the comment was that the people that are in the room know what's going on, they bring some knowledge and expertise to help solve the problems. Did that capture what you were saying? Good. We can go here.

>> Hello.

>> Shawn Spano: Over here, thank you.

>> One concerns we had, it's hard to understand the ramifications. We needed to have specialists come over and help us. Secondly, the yellow sheets that you have, it is not a really large amount. And since the majority of the costs come out of employee salaries, we felt that with public agencies, the private companies out there when they have to cut, and most of it comes out of that, they do drastic cuts. So what we did is we upped it beyond that 4.1 because we felt that that is the primary area you ought to be doing restructuring and you ought to set it up. [applause]

>> Shawn Spano: Thank you, that, providing descriptions that are more robust and clear, so we want to hear those as well to tweak the exercise for future use. Yes.

>> I guess the issue I had with this exercise is we were given enough time to do this. But we weren't given enough time to give ideas for solutions or changes or how to improve, make it better, whatever. And I think that was by design.

>> Shawn Spano: Thank you for that. The conversation continues. And any ideas that you have are appreciated and welcome going forward that might have come out of today or any other ideas that you have.

>> Well, our table started out with the best intentions of saving the most valued and core services that were provided. But in the end, when it came down to it, we came to the white elephant in the room which was the quarter-cent sales tax. So I think what we derived from this was, we are in here to buy off on the ballot that we are going to see that on the ballot this year.

>> Shawn Spano: I don't believe that is the intent, that is an option and part of it is putting it on the table and testing it against you all, against the community.

>> What was difficult for me personally one, of course in the time we had and in the descriptions is truly not understanding what the unintended consequences of some of these actions could be. So it made it really, really difficult.

>> Shawn Spano: And just why should we be thinking about unintended consequences?

>> Well, concerning the process itself that we've gone through here, the process itself, we started off, in our group, we started off with revenues enhancements. And we wondered, in fact we had talked about it a little bit, if some groups started with reductions on the one side, rather than starting with revenue enhancements, what effect that would have on the outcomes. So -- so it's like doing a survey, you know,

it's like how are the questions asked, that determines the outcomes. So it may be in fact, you might want to, in the future, suggest, you start one way, then can you extrapolate out of that what's going on.

>> Shawn Spano: What was the value for you in starting with the revenue-raising ideas first, was there a value in doing it that way?

>> Oh, yeah, I think so, because our group was really interested in raising revenue, major aspect. Although we did throw some things out, of course. The other thing, with regard to your list up there, number 1, what the surprising -- most surprising thing about the exercise was the consensus we reached quite quickly on almost every issue. I don't think there was only two or three items that went into the maybe pile.

>> Shawn Spano: Okay.

>> The other thing is number 5, we hope that the city council and the mayor take our advice.

>> Shawn Spano: Okay, great. Let me ask real quick which groups had this group's experience in terms of reaching consensus quickly? Were there other groups that that happened? Wow, the majority of groups here, very interesting, interesting, okay, okay. Next comment, yours.

>> Okay. Just -- okay. Harvey Darnell. To counter you, we went through and we started with reducing cost. We then looked at revenue and we added up our numbers and we went back to see which things could be re-added back in. And we took more time than everybody else. We were the last one to finish because we were coming back, saying, we raised enough revenue, now let's see what we can add back in. What things are more important to add back in. The question, if you put one versus the other, you're placing yourself in a revenue enhancing mode versus a cost-production mode. That's a political decision that is very difficult, Congress can't even get its arms around now. So either way, if you add enough time to go back and see if we do add revenues some what can we add back in, is a helpful exercise.

>> Shawn Spano: Great, excellent. Okay over to the side.

>> All right, what we did this is we took this to heart that this is a golden nugget, that's what we are, okay? So we took issues that we feel will be an impact. We took everything you had here as a given. With that the perspectives we got from our table was a business and a nonprofit perspective. So how we run our businesses, okay? Secondly, we assume that revenue generated is going to back to what we think it should go back to, okay, the devil's in the details but we're just making that higher level assumption. The first thing that we picked on was economic development as one table picked out here, what are the strategies in increasing revenues per those industries. Maybe identifying those so we can take a look at maybe tourism is number 4, maybe move that up to number 2 to make it a destination point to improve revenues. Number 2, auditing each section of the department holding that department head accountable, we're assuming that that's happening too. They've things they have to meet, streamline processes, we're assuming that government is taking that tack. Public Safety, never give up on neighborhood services you shouldn't take away the neighborhood services because those are a basic quality of life issue that are guaranteed to us as San José citizens, as American citizens. Taking all that we're able to balance our budget.

>> Shawn Spano: Thank you.

>> I just had a point on political ramifications. We're all here to side something but there's always the political side that no one thinks about. The issue is whether these things are feasible and doable from a political perspective. Keeping core services, everything else is negotiable. We look at user fees, pay to play, no subsidies, because we really wanted to focus on the core services.

>> Shawn Spano: Thank you.

>> I want to thank the city staff for putting us through this exercise and how well prepared you are, because you made it simple. One thing I wanted to add, as this gentleman here set, if we go a step further we should look at economic development and perhaps you should prepare whatever you've got on the table and bring it to us in a similar -- regardless of the expense, I hope this wasn't too much but there is a lot of brainstorming that could be done here and I really think we have to promote our way out of this. We're not going to slash our way out of it. That never works. So thank you.

>> Shawn Spano: Thank you. Good. Okay, other comments, reactions, responses to the activity?

>> On lost revenue you know, dollar amount, live in district 7 and we're doing a recall election which is \$800,000, wasted dollars. [applause]

>> Shawn Spano: Any other questions, comments, responses?

>> Thank you. So as far as advice to the mayor, city council, City Manager, besides lots of luck! I do think that people need to realize, everyone needs to realize yes, it is going to be political and at the same time, if neighbors are being asked to sacrifice, make sacrifices, so, too, do the unions need to make sacrifices,

so too does the city need to look at how they're delivering services. Obama said we're all going to need to make sacrifices but good luck to all of you.

>> Shawn Spano: Thank you. Here, and here.

>> One of the things we had some difficulty with as we were looking at some of the proposals for reductions, partner my language but a lot of them said no, and then hell no, but we ended up having to put it back into the reduction on the table anyway because there was no way. Some of the things that we wanted to save most, though, is we wanted to provide the short sighted necessary of programs that will save us in the future. Crime prevention, the antigang, if we didn't put money into it, it would cost us more down the road. We wanted the City Manager and the city to consider.

>> Shawn Spano: Thank you. Over here.

>> I want to say this without screwing this up. I have my little notes here. One way to get revenues is to have the park fees on affordable housing paid. But it seems like it's not really being paid. Can you explain why that is since there's a big market for that.

>> Shawn Spano: Do we understand the question and can we have somebody answer that?

>> City Manager Figone: I'll have my team jump in if I miss the salient points. First of all, well, the question is why is affordable housing not contributing the developer fees that would normally go to paying for additional parks. That's basically the issue. And that's a policy decision that was made years ago to ensure that affordable housing gets built and maximizes affordable housing. That policy's being called into question now, and actually will be going back before the council to determine whether or not that policy should remain as-is. Correct. [Off microphone] actually -- right. The fee in question is what the developer pays when the affordable housing is built. It has nothing to do with the resident in the home.

>> Shawn Spano: If we could get Ed a microphone and then another question here. Okay, there we go. We'll start here and then go to Ed.

>> The thing that troubles me about this is that the structural issues that were a problem for our budget before the recession are not really being addressed by this. This is just sort of addressing the shortfalls that are just happening from the recession. We weren't really told that we could deal with those bigger issues, I know some of us have taken a swat at it. And I think everybody understands that the reason for that is the 800 pound gorilla we can't see out the room that we can't see, the public service unions. We don't have the short recession every time the president speaks, he tells us this is going to get worse and it's going to take longer and it is. Next year when we come back or whoever is dealing with these issues and stuff like the deficit in the pension programs, and whatever happens with the airport and all the other parts of the budget which we didn't come here to talk about today, are on the table, I hope that people and the executive part of the city, have the political will to sit down and deal with what the euphemism of structural problems does. I think by then most people who vote in the City of San José will be willing to back it up.

>> Shawn Spano: Thank you. Ed.

>> Ed Rast: My estimation is that we're giving about 10% of our budget to noncity organizations, nonprofits that unfortunately it seems about every other month we bail another one out for so many million. The other thing that happens is we need to take as much or more resources to review what's going on in that whole area. Look on the fourth page of my handout we have a human number of organizations we're giving money to. I would guess very few people in this room know what we're giving it to. We're giving it to other cities. I don't know why we're giving it and what are we getting for our money it's a huge amount of money.

>> Shawn Spano: Okay, let's move forward here. One more question over here and then we're going to move forward with short brief reports from each table.

>> I just have one more comment and I don't know where Terry Reilly is sitting. But the -- there you are. So a perfect example of public-private partnerships that the City's not working on and I say this every year at budget time, we're still cutting up the same pie into littler and littler pieces. Our pie's getting smaller and we need to make more pies and we need to have somebody whose only job is to look at alternative sources of funding, doing community development, have the volunteers trained to do the kinds of things we need to do, be in the better position long term as opposed to looking at a smaller pie every year. [applause]

>> Shawn Spano: Thank you. And we have one other announcement to make, councilmember Rose Herrera has arrived and we should welcome her. [applause]

>> Shawn Spano: Couple things. Don't please leave your exercise board as-is because staff will be collecting those and summarizing the results that you're providing for us. And what we'll do with that is,

staff will clearly be taking these and incorporating in your feedback and there will be a summary that can be fed back to you, as well, so you'll have access to the summary. The next steps in this process are that what comes out of today will be incorporated into a study session with city council on February 13th, so the results will be fed forward into that conversation and then also as you heard from the mayor, he will be incorporating this into his March budget message. This is meaningful data, meaningful resolutions that will be incorporated.

>>> The product of your exercise, I think this group did a good job in getting us started. Not a lot of details, we don't have a lot of time. But give us the headlines about how you balance the budget. And again I will use this group over here and their report-out which was just a couple minutes high-level and who would like to get us started? This group's already gone. Who else would like to go? Actually every table will go, so -- who would like to volunteer? Start here.

>> I'm sorry, I didn't hear the first report-out so hopefully I will follow the correct forgot.

>> Shawn Spano: The watch word, brief, that's the watch word.

>> We started off with reductions went through the stack as quickly as we could, no, no, no, yes, yes, yes, whether we were done we said okay, we've only got less than 30 million let's start looking at revenues. We started looking at revenues some were popular, some were short. We were still short. We had to hold our noses when we did it but we ended one 71.79 million. With the sales tax we did not count it in our revenue we agreed we would vote for it but we decided that was kind of pie in the sky and we didn't want to count on it in our revenue numbers.

>> Shawn Spano: Very good. Nice and brief. If you wanted to add in some specifics about ideas that were on the table, that you took off the table, we'd be happy to hear those.

>> Okay hello my name is Teresa. And louder quieter louder? Okay. We're the group that decided to start with revenues as opposed to cuts. We thought let's be creative and see the options we have for creating revenue. Some of the choices we made we thought might not be very popular and we ended up on the revenue side with \$49,200,000. It made it easier to go into the budget side because we didn't have that much to cut. On the purple we only chose one cart, which was reduce the general government strategic support services. And on the blue we came up with six cuts for a total of \$65,350,000. Thank you.

>> Shawn Spano: Good. Nadine. Can you start with the group there. Is it on?

>> Yes. We made our goal, we didn't do as -- or we were a little less gracious than some of the other ones but we did make it to 65.1. But we got seven or eight gray cards signed off by our illustrious leader over there. And we'd just like to quickly mention that, look at more of the issues with the least city property, require the night club owners to pay more for PD downtown. Look at benefits, I'm sorry, look at some of the benefit packages because everybody has to take a hit. Require 911 dispatchers to ask more information, thereby we might not have to send PD to every single call. Implement fines for businesses and violating such things as fire and safety codes and hazardous materials, whether they're open or just opening. And then shift the response for parking invitation from PD to park control. And we actually got numbers on some of these that equal about \$2 million. So --

>> Shawn Spano: Thank you so much and now we're over to this payable over here.

>> Hi, we found actually \$69 million in cuts, and revenues --

>> Shawn Spano: Little bit choser.

>> Little closer okay. So \$69 million in cuts and revenues. We took the yellow card for reducing personnel costs and we also -- we requested -- we got a gray card from Debra Figone for salary freeze for salaries over \$100,000, the way Obama did. And of course it would be subject to negotiations with the labor unions, but regarding the situation, it might be accepted. And so that was \$7 million savings. So we had -- we accepted the purple of the postpone opening of the public facilities, and under the blue, we had seven proposals. And in the revenues we had five proposals, bringing us \$43.8 million.

>> Shawn Spano: Excellent very good thank you, good job. And a couple of groups have gone over the \$65 million. We've heard from some of them already. This group is up.

>> Yeah, so we gave Debra writer's cramp, I think we had a dozen gray cards for her to sign off on. We win. We ended up over 67 million, first pass through we went through that, yes, this is a no brainer no brainer no brainer we had three tenets, one is pay to play, if you are going to cause the problem you should stick to it. One was core safety we were focused on that. We ended up having to go to an 8th of a cent sales tax, three fiscally conservative people around the table, we bit the bullet saying \$17.5 million isn't going to come from anyplace else.

>> Shawn Spano: Thank you, this group.

>> We started by having everyone describe or tell what their priorities and values were from their neighborhoods, so we used that as a framework to make our decisions. It turned out that we were all very consistent with our priorities which helped us. We then divided the cuts and revenue into three categories, the ones that absolutely no, those absolutely yes and those in the middle that we'd have to discuss if we needed to find additional cuts or revenue sources. We also had nine gray cards where we either had additional ideas or we had -- we took a cut or revenue and modified it so that we would you know, get part of it or you know, make it clear, what we warranted. Plus, we took some of them where we stretched it over multiyears and just took from the next year just took part of it, we didn't want to do a full cold-turkey cut on some of our services but would do it over a period of time. And overall we came up with a \$69.37 million, almost \$70 million cuts in revenue.

>> Shawn Spano: Those modifications you noted down on the cards? That's very helpful, thank you.

>> We did.

>> Shawn Spano: Over here that group.

>> We didn't quite meet the goal of \$65 million, we came closer with \$62,150,000. And of that \$41,500,000 was from proposals for smaller government. So -- [Laughter] [applause]

>> We were very focused and didn't have any proposals to raise taxes and we had \$11,200,000 in new revenues. I'd like to say there were a lot of contentious issues for us here. We were very divided group but we were able to come together, and come up with all these proposals that we think would --

>> Shawn Spano: Little closer.

>> I'm sorry. We were able to come up with all these proposals that -- okay. We were able to come up with all these proposals that we 30 would, you know, benefit the community without cutting too many of the vital services.

>> Shawn Spano: Okay, very good, great, thank you. So that explains your comment when you told me, "I'm out of a job," that explains the comment, okay. Which group, this group.

>> Is it on? Okay. We went through, as quickly as possible, since we only had one hour to do it, and we did just like the city council members did. We just went through, went through it, no discussion, no discussion, and we came out to about \$62 million and the new proposals which reached us over to \$70.5 million. We were easy to do that. But the trouble is like the city government we started putting things back in and now we're totally confused and cannot find where the money is. [Laughter]

>> So welcome to San José and city government! [Laughter]

>> Shawn Spano: Okay, very good, thank you. And over here.

>> We -- oh, good.

>> Okay, can you hear me. Okay, so our group we basically we were able to balance the budget. We were kind of divided on some of the issues. We had a lot of maybe issues but we did it the democratic way, we voted on it. We had seven people, we had an odd number so it was good. And we had a lot of these green cards. Because there were kind of dealing with some infrastructure issues. And one point that we brought like kind of put new ideas to the proposals, was that we decided for some of the proposals, we -- to outsource it maybe like a 50-50 private -- [applause]

>> Oh, 50-50 public-private partnership something like this such as eliminating street landscape maintenance and replanting, probably could outsource that. And we also had a little problem with the yellow card. Yellow card we felt that the 7 million to 8 million reduction wasn't substantial enough. So then we took the \$675 million and reduced it by 5% and also our group kind of recommends these further actions to be taken. Okay, it says, number 1, it's across the board to decrease the furlough, and then number 2, set up tiers in each department to expand with contractors needs and use contractors instead of employees. And then the last point for retired employees, who return to city jobs, as contractors, they cannot simultaneously draw their benefits and retirements. [applause]

>> Shawn Spano: Great, excellent. Yes. See here.

>> We cut everything. Except services. You know. But we came up with 36.2 in cuts, and we did not touch services, which was pretty good. And in revenue, we definitely went by the, you pay to play. We brought in 81.46 in revenue. So now we get to go back and put all the thing that sort of gave us heartburn and debate that.

>> Shawn Spano: Excellent. Did that cover every group? Did every group get a chance to go? Excellent. I think you should all give yourselves a round of applause for all the work you did. [applause]

>> Shawn Spano: Wonderful! Sure.

>> I just want to say. I know I've seen a lot of you before, but I've been doing this three years, this is my third year. This is the best. One of the problems in previous years is you told us what to do and to like it, which none of us really like because we were voting up or down. And the other is, if you have it so open ended, we don't like it. You don't have to see me, you can just hear me. How many of you have been here each three years? This is my third year. We had a chance to do focused input. We had numbers to look at, which we've never really had before. Previous years you've told us and then we just vote up or down, without knowing what we voted for, which is the problem. Community meetings, you tell us what we want, that is totally focused, don't cut my parks, don't cut my libraries. In the future do it this way where you have focused meeting, specific stuff, I'd like to see more numbers, more of what I'm looking at, like numbers. That's my feedback, for any of you.

>> Shawn Spano: Great, greatly appreciated, does anybody else have any feedback about the exercise that would be helpful as we tweak this and go forward?

>> I thought the game was terrific. It gave us purpose, it gave us focus, it was fun, and we feel like we bumped a few heads but we took two dozen votes, took two dozen votes, thank you, the game was terrific, let's play more games.

>> Shawn Spano: Great, excellent. We've resisted calling it a game but I'm glad you had the term. You're up.

>> I was here not last year but the year before. We could discuss more about what's going on and give us a little bit of an idea. It did improve last year but this year it's greatly improved. We did a lot of assistance by staff, we had our little red card up all the time and we had three or four people come over to help us. If you use the staff and more information, I know some of the questions were put on hold for later, more information, so there was a little bit of lack of answers, but still we had a lot more answers than we had last year and in prevention years from what I can understand.

>> Shawn Spano: Over here.

>> This is a good exercise but if there's some way we can get the information sooner so we can read and digest before we come here we would have beneficial feedback instead of cramming and making the best of it.

>> Shawn Spano: Great suggestion, thank you. Over here.

>> I wanted to say, this has been mentioned before, I hope we have these type of meetings when times are good. Because it seems like we spend more time as a reaction as opposed to a pro-action in these type of things.

>> Shawn Spano: Another great point.

>> What I would like to see is that once of summarize this all up that not only do we get the answer but maybe that the general public gets what we all came up with today, what the city council looked at and what they put into their -- what came out at the very end. So I would like to see that and so not just us but Mercury News should do a thick article about that.

>> Shawn Spano: Thank you. Any other reaction? Okay, go here and then we'll go to Joe. You're up.

>> I just have a question. What's the need for this huge thing on the table? How is it going to be used later? If that's the plan.

>> The actual board itself?

>> Yes.

>> Shawn Spano: This was an organizing tool for you for a way to keep track and organize your revenue ideas and reduction ideas. It was to facilitate the exercise. Did you find it not helpful? [Off microphone] okay. Okay. Okay. Yeah, we have a -- anybody else want to comment on that, we're anxious to hear. Joe, you're up.

>> Just a quick comment. I believe that the program was nice. I enjoyed it. The exercise was good, no problem with the word game. But there is a byproduct that makes the exercise successful. I like a lot of people in the room have been involved with laying off thousands of people in the last few years. From the top level discussions to the delivering of a message. Some of us are used to this process, start cutting and watch the blood flow and try to patch it up and go forward. Part of the benefit of this exercise is some of the experience some of us I think have in this room. So credit to the tool and credit to the facilitation. But there's a recognition kind of a back-door benefit to some of the merit badges we've all learned in the private sector. Like I say, I've been involved in countless layoffs in the last five years. I'm not proud to say. But there's thousands of people I've touched on layoffs.

>> Shawn Spano: Other comments here? Yes, thank you.

>> I just wanted to say that as a high school student I think it was really beneficial to hear about all the programs that we already have for the youth and I felt that is important that we spoke up about things that we benefit from, that maybe not other people do, that things like the youth safety, that was really important to us. So I thought it was really beneficial because I know that I didn't know about a lot of the programs and now from this I can utilize more of them. So --

>> Shawn Spano: Excellent. [applause]

>> Shawn Spano: Thank you for coming. And you're up.

>> First of all I'd like to thank the mayor and the City Manager, Debra for this continuing of this exercise. [applause]

>> And I -- I'm so proud to see all of us, community leaders over here, this is what it's all about! It's all of us to come and work together. We can take our city one day at a time, by working together, all of us, you know, like the President Obama said, you know, all of us working together, we can achieve and accomplish a lot of things. And I'm so proud to see the young ones! We need to invite them more! Because they are the ones, they are the future! We need to hear more from them! We like maybe next year, we like to invite more of them to this very good exercise. Thank you.

>> Shawn Spano: Thank you. We're are ready to wrap up for today. So you know what the next steps are in terms of summarizing your table conversation and the exercise that will be fed to staff and mayor and council and to you in some form and that will inform the March budget message and study session in February. Sharon Erickson, City Auditor, hot off the press, the City of San José, accomplishments for the year of '08. There are 100 copies of this outside you can pick up on your way out. It actually touches on this. There is lunch in the rotunda and after we hear the final comments close us out today, Debra Figone.

>> City Manager Figone: Thank you, Shawn. I want Deanna to ensure you leave your tables today.

>> For the cards that you didn't propose, leave them on the table. For the cards you used as part of this exercise, put them on the exercise board. And then we'll go ahead and collect them, by table, and then develop the theme document that we're going to be using with the city council in February, okay? Is that clear to everyone? Are there any questions? Okay, thank you.

>> Shawn Spano: I understand that park in the fourth street garage is free today so we don't need validation, do I have that right, Nadine? Excellent.

>> City Manager Figone: Okay, I just want to thank you all for the fabulous work. I can't express to you how meaningful this has been to us today. And I'm really looking forward to reviewing the cards that are on the table, still in your mind, the ones I signed off on, I think many of you know that there are conditions and further review that needing to along with the new ideas. And I heard you accepting that. But I do believe that this work today gives the administration and the council courage to continue down the path that we're headed. And that is just golden to all of us. I'd also like to thank my staff, the department heads, the people who wrestle with these decisions day in, day out, and the staff that they brought. And there are too many to mention but the team that put this together took a lot of thought. And I'm really glad that it paid off and we're going to build upon it in moving forward. The other thing I would just ask is either the table captain or any of you, after you leave, if you think that there's something we should know just please send me an e-mail so we can capture your thoughts while they're fresh. Ed, did you have something? [Off microphone]

>> City Manager Figone: We will do that. The question was to send out the PowerPoint and a copy of the cards, and we will do that. And the department presentations, yes, the whole deal. So again, thank you. I hope you enjoy your lunch and I really do appreciate your continued involvement with the city. Thank you. [applause]