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City of San José budget study session.

>> Mayor Reed: We have a quorum. I'd like to go ahead and get the meeting started. This is a continuation of the study sessions on budget. Operating budget, transportation and aviation services, strategic support, mayor and City Council appointees budget and City Auditor recommendation for fees and charges. We have a long session planned, I think we'll use every minute of it in order to get through all of that. Let us start with the transportation and aviation services presentation. Jim Helmer has the lead.

>> Jim Helmer: Good afternoon, mayor and City Council, Jim Helmer. Presenting with me is Jim Sherry, and Jim Ortbal and deputy chief David cabalero from the police department. On this slide you see our primary core services spread across the three departments. There will be a lot of discussion on the third bullet down the page, street landscape maintenance. These are our outcomes spread across our departments. They range all the way from safe and secure systems to community livability. Looking at our current position and trends, starting with where we are on our safety records, let's not forget that the nation's roadways are the leading killer of all American citizens, ages 2 to 34. Every year there is over 43,000 deaths on our roadways and that number has stayed consistent for the last 20 year or relatively flat. Only 25% of those are on the Interstate, which tells you where the remaining 75% are occurring. However, San José has excelled in roadway safety. Our safety record has grown almost 25% in the last 18 years and our injury crash rate has dropped by 44%. So the crossing lines our good thing. As you are aware the growth in our infrastructure, surface transportation infrastructure, combined with rinking resources continues to have a very big problem in front of us. That's a growing maintenance backlog. We're going to talk about more this year, having more assistance and more cooperative programs with our property owners. Effective July 1st we will no longer be able to assist in tree maintenance. Like sidewalks, it now joins the area where property owners will be 100% responsible for the repairs. As we've been discussing, we believe there are better models. Taking a look at the slide above, the median island on the left is one that's typically maintained by our General Fund where we have limited resources and few trips per year to maintain the litter, debris and landscape material. The one on the right shows one maintained through an assessment district, clean, no litter, well-groomed. We are pursuing a potential lighting and landscaping district with the structural budget committee and we will be reporting back through the City Manager's fall report on the ten urgent issues.

>> Bill Sherry: Good afternoon, Mr. Mayor, it's a pleasure to be back. New knees and all. In the past year we have made great progress with the terminal improvement program and renegotiating our operating agreements with the airlines, concessionaires and vendors. These will result in bringing great efficiencies to the airport and ultimately many fine facilities. But let there be no mistake. Challenging times lie ahead. Fuel prices are record highs and have more than doubled since 2005 and industry experts predict they will go even higher. In the last month alone we have witnessed four airline bankruptcies with three of these carriers choosing to cease operations all together. The fear is with fuel prices exceeding 120 dollars per barrel, there isn't a business plan that works. So it made more sense for these carriers just to cease operations rather than to try the impossible. While fuel is the concern for the overall industry, the weakened economy is, mergers and, there is no predicting the future. It's safe to say that in today's market, this climate is every bit as impacting as 9/11 was from a financial perspective. So what can we do? While many of these factors are outside the city's control the more we can provide a favorable business climate here locally, the better we will fare through these turbulent times. The airport and the city have maintained excellent ratings because we've been conservative with our budget and financial management. We need to continue with these practices and at the same time bring if modernization program in on time and within budget. Looking at outcome number 1, safety is and has been and needs to continue to be our number 1 priority. For the most part, the CSA's investment in safety is stable, although the proposed reduction in DOT will, added delays in traffic calming. Over the past three years, we've developed and received stakeholder support for a fiscally sound development program. However, that plan will result in our airport becoming a high cost airport in the Bay Area. While we're getting new efficient facilities, we need to continue to be fiscally conservative and embark only on projects that yield high returns on our investments. The airport construction is not only helping to bring new modern and efficient facilities to the airport, but it's also helping the economy. We're spending right now today \$1.5 million per day on construction and that investment results in a payroll of \$300,000 per day. D.O.T. has many regional and local transportation projects ranging from pedestrian corridors to BART that will be discussed during the upcoming capital development budget study session. Wile the transformation from antiquated to modern facilities is very evident to everyone what isn't so visible is the need to do the same

with our organization. In the years to come our employees will be given the responsibility to manage and maintain very complicated sophisticated buildings and systems. As we move forward in modernizing the facilities, we also need to invest in our employees to provide them with the training and skills necessary to assume their new responsibilities. Accordingly in the coming year we will place a large focus on developing and implementing detailed staffing plans and activation plans.

>> Jim Helmer: Congestion is still the number one issue in community surveys. On the left you see one of our two new dynamic WiFi parking guidance signs, which provide real time advanced information to drivers as to what lots are available. Synchronized lights, and traffic will benefit from an anticipated \$15 million from CalTrans from the proposition 1B funding traffic signalization program. So we're very pleased to hear the preliminary news last Friday that we are ranked very high for \$15 million to replace our signal controller equipment. While the community doesn't always rank this area as high, our biggest challenge is maintaining our assets. This picture really tells it all. D.O.T. is responsible for over 2300 miles of roadway. We have 5 million square feet of markings, the equivalent of about 110 disconnected football fields. We have 550 acres of landscaping, and nearly 900 signalized intersections like the one above which has a lot of assets in each one of them. Now, at a very high level you can see that most of our maintenance resources are declining with the red arrow pointing down, and condition is correspondingly declining. And this is what's contributing to the \$454 million estimated backlog and the \$25 million annual shortfall. I'd like to highlight street landscaping where we are proposing to reduce our staff by approximately one-third or seven positions. This follows years of reductions where nearly 20 positions have been taken from this area. We are not proposing any reductions in our traffic safety, such as signalize signs and mark -- signals, signs and markings, but we are proposing to reduce our electricity usage and operating cost. Last year we discontinued all of the sidewalk maintenance grants replacing 100% of the responsibility on the adjacent property owner. And this year we are proposing all tree maintenance will revert to property owners as well, as allowed for in Municipal Code section 13.28. And over the next 60 days a service model for tree maintenance is being finalized similar to the sidewalk repair model and communications to property owners on their new level of responsibility are also being initiated. In fact we have written a comprehensive informall memo which will be released to each of your offices explaining. Our final outcome but not the least important of course is community livability. With the assistance of Councilmember Oliverio we will be holding our 11th community meeting tonight. We hope to bring to T & E committee a new proposed policy. We are working hard with the school city collaborative on crossing guards, new capital improvement program models and educational models. The airport will continue to emphasize communication and outreach necessary under such an ambitious construction program. Both the airport and D.O.T. have a major focus on the environment and will continue to focus on green initiatives and have identified new resources to support these efforts, all in the area of sustainability and the environment. The airport's acoustical treatment program will be successfully completed. In summary I'd like to reiterate that safety remains our CSA's number one priority. The the airport transformation under the TAIP makes it most challenging to maintain good customer service ratings under heavy construction times but we're up to that challenge. As Bill said, we'll continue with fiscal prudence in these uncertain times with our aviation industry. Infrastructure maintenance backlogs continue to be our priority, and landscaping and lighting maintenance. With that we'll take your questions.

>> Mayor Reed: We'll start with Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. It's ironic that this morning I was a meeting at Brett Harte middle school, they're right in saying, an accident is waiting to happen here. I don't know of what progress was being made, but of the four proposals that they made for improvement, none of them contains the idea of the human bus, you know, getting several kids to walk together. And people want to still drop the kids off. So there's going to have to be a lot of changes there. I wanted to switch from that to the transportation -- the aviation, rather, Bill. Hope your knees are doing well, hanging in there.

>> Bill Sherry: Thank you.

>> Councilmember Pyle: And that has to do with your suspicions of any other companies that might be thinking of joining the four that have gone bankrupt.

>> Bill Sherry: As I noted earlier, with the \$120 per barrel fuel prices, all bets are off. There are a number of different mergers being proposed and there are a number of carriers that are more vulnerable to bankruptcies because of their financial position, so we're watching that. The forecast or what experts tell us is that it's not out of the realm of possibility that fuel could be as high as \$200 a barrel. And just to put that in the perspective, probably a year or two ago if you were to ask the carriers what would be a high range for fuel, they would have said \$80. \$100 was off the chart. \$120, there's not even a business

plan that contemplates that. Assuming that fuel is going to continue at high levels I think we're all but certain going to see more bankruptcies, more mergers and particularly more reduced capacity on the domestic front. Internationally, I think that's a bit more viable but on the domestic front we're all but certain going to see a reduction in capacity.

>> Councilmember Pyle: Sounds like we're getting to the point where only the wealthy can travel by air, if they continue on this, I'm assuming.

>> Bill Sherry: As capacity is reduced with the proposed mergers and reduction of service by the bankrupt carriers, we're all certain going to see an increase in fares. And I think that is a factor in just the increase in fuel alone, that won't cover the increase in fares that's necessary. Because the current state of competition is just not sustainable. So we need to have increase necessary fares to cover the fuel costs, as well as to get the airlines profitable again. So it very well, you know, the \$39 flights to, you know, a favorite spot probably are a thing of the past.

>> Councilmember Pyle: Right. And that makes it even more important that we have -- jet blue has come up with four flights for us, I mean, that's absolutely phenomenal, they're to be congratulated. But I wondered on the national component, has there been any talk about getting the president to stop putting oils into reserves, which of course makes the regular prices go up?

>> Bill Sherry: I think you can well imagine, that the airlines are probably lobbying Congress and the executive branch quite heavily. And a lot of things are being explored. Some carriers benefit because they've hedged their fuel costs, so they're still not dealing with today's dollars. Others were not capable of doing that. But a lot of effort is going into explore all possibilities on how we can reduce the cost of fuel.

>> Councilmember Pyle: And then the last one is, I have no information in reference to this. And I hope I'm not putting you on the spot. But in reference to development of oil here, I know we don't get all of our oil from Iraq, I think it's only like 4%, or it's a relatively small amount. Is there any talk at all about developing more fields here, in Alaska or wherever?

>> Bill Sherry: That's really outside --

>> Councilmember Pyle: Anywhere but San José, Pierluigi said.

>> Bill Sherry: That's probably outside my area of expertise. I think the focus right now is how we can increase or decrease our reliance on foreign oil by reducing our demand and increasing our own production. So beyond that, that's really outside my area of expertise.

>> Councilmember Pyle: And to date, there's nothing other than jet fuel that can be used for jets?

>> Bill Sherry: Yes, right.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: Councilmember Nguyen.

>> Councilmember Nguyen: Thank you, mayor. Jim, I have a couple of questions in regard to the park and traffic control officers, I think last year we approved for four positions, and this year you're asking to reexpand it by two more positions, which is great, and I'm in support of it. But I had questions relating to the possible elimination of the crossing guards for '09-'10. So my question has to do with if the elimination is passed, which is not something that I'm in support of right now, do you see these officers shifting their direction towards traffic safety rather than parking compliance, if that were the situation?

>> Jim Helmer: Councilmember Nguyen, I'll start with a response on that and then deputy chief caballero may want to add. I think it's our goal in working through the school-city collaborative to look at new models of crossing guard programs with Councilmember Chirco and mayor representing the city, and police chief and myself. To put ourselves in a position so possibly we won't have to lose crossing guards, but look for different ways in which they can be provided. To your first point, though, the four parking and traffic control officers and the new two -- the two new ones that we will be adding are having contact with the crossing guards, and have been able to provide some additional educational assistance, and some literature, and there is some synergy that we see. So going forward, I think working with the schools collaborative, the police department and transportation department, we will be looking at all of our resources internally at the city, those that the schools may have to offer, and looking at ways in which we can bring proposals back probably through the neighborhood and education services committee on its way to you for final recommendation.

>> Councilmember Nguyen: Great, thank you, Jim. And then final questions on the traffic policing in neighborhoods. I think this is a new program that's coming online this year. I think what I read in here is that the neighborhoods will be chosen according to the level of complaint, but obviously, I think we're going to get a lot of complaints. And how do we choose which neighborhood to focus on first? And is it on a rotation basis? I just want to learn a little bit more about the program.

>> Good afternoon, get chief Dave cabalero with the police department. My understanding, each of those criteria will be evaluated, not necessarily on a rotating basis but based on the need assessed by the experts and determining the necessity in those locations.

>> Councilmember Nguyen: Thank you very much.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you. Jim, I wanted to go back to one of the answers you opened with and you were talking about the 900 street lights. Is that proposed now, or is it proposed in a tier? I wasn't clear on that.

>> Jim Helmer: Councilmember, that is a proposed budget-balancing strategy, 900 street lights. There is a second proposal, which would add a higher number, approximately 10% of our 61,000 lights as a tier 2 proposal. So yes, the 900 lights --

>> Councilmember Campos: So that's proposed right now?

>> Jim Helmer: Yes.

>> Councilmember Campos: And the 10% is proposed in tier 2 or tier 1?

>> Jim Helmer: Tier 2.

>> Councilmember Campos: And that would save us over \$400,000?

>> Jim Helmer: The first proposal would be at today's electricity rates, the second would be the 400,000 plus.

>> Councilmember Campos: Thank you. The next question, around the community survey, when the residents were asked what are some of their priorities and I know traffic congestion was way up there. My question to you is, and I know that you answered it, particely answered it with the other councilmember, my question to you is, since traffic congestion is a priority, how do we foresee ourselves being able to address that, versus the other issue which comes I know along some other lines of a priority but I know for the community, it has been traffic congestion within the neighborhood and the surrounding area. How do you foresee us addressing that?

>> Jim Helmer: Well, it's a multipronged approach, of course. The congestion levels aren't as much a concern in the heart of the neighborhoods as they are on the collector roadways, the arterial roadways and as you get on and off of a freeway. The approach we're taking is really one working much more closely with CalTrans and VTA on getting these ramp meters operational. We've got some brand-new traffic signal controller equipment recently installed on capital avenue, and more to come. Several more new controllers on Santa Clara, Alum Rock to improve bus operation. If we do achieve the grant award of \$15 million, from the state, which we expect to hear on may 29th, we will be able to completely change out every traffic signal controller in the city that I mentioned last week. We're exceeding 15 years old. And really, cut down that \$454 million maintenance backlog by almost \$15 million there. We are also putting in new fiber communication systems. We're planning on with this grant to put in dynamic traffic management systems at the seven busiest shopping centers in San José. So all in all, working with our partners, the regional shopping centers, CalTrans, VTA, our staff, new development, it's an approach that sometimes it's hard to measure success, very few percentage points. But we continue and just constantly continue to look for viable choices and provide all the alternatives possible for motorists, pedestrians, cyclists, to use as well as prioritization of those centers.

>> Councilmember Campos: Is that completely separate from the outline?

>> Jim Helmer: Most of their emphasis is on the arterials. They have recently redeployed a small staff into the neighborhood. As deputy chief just mentioned, to hit some of these chronic speeding areas. But yes, we coordinate the safety issues, the crash problems, the high violation rate areas, with the police department, and coordinate that along with our capital improvements, as well.

>> Councilmember Campos: Thank you for that information. The other question that I have is around the tree crew, I think you talked about that. You just touched on that. And I know the City Manager, I appreciate the info memo you sent me regarding some of the questions I asked around that. You're proposing to eliminate this and put it back on the property owner, which is something that we had probably earlier in the -- what, '90s? I can't remember when property owners were responsible, and then the city took over, and now we're going back. But my question to you isn't regarding the budget or money set aside, which is about \$400,000, is that correct?

>> Jim Helmer: Yes.

>> Councilmember Campos: And I guess I'm not clear on how -- why we're eliminating all the position when we're putting aside \$400,000 and what would be the cost to be able to continue to maintain at least one or two people? First of all, what does it cost for a position like that that does tree maintenance?

>> Jim Helmer: I'll let Jim Ortbal focus in on those answers.

>> Councilmember Campos, couple of questions in there. Federal, the proposal was adopted in last year's budget. The overall value of that tree maintenance service is about \$1 million. The \$400,000 in this year's fund is in a revolving fund to do work on behalf of property owners. The challenge we're having in this regard is property owners, via the municipal code are required to maintain their street trees. The way the system would work is, in the event that we have an emergency environment, and we need to take care of a tree down the roadway or on the sidewalk or what have you, we would utilize contractual services. But being able to predict how much work is associated with that type of work is very difficult. This year we had a very mild storm system, and required very little work from our tree crew. So being able to have a predictable amount of activity that we would be sure to have the amount of money to pay salaries wasn't really feasible. That is why we are going with the model we're going with. We don't know that we're going to be using anywhere upwards of the \$400,000. We'll only use the A contractual services necessary to take care of -- amounts of contractual services necessary to take care of the emergencies and bill the property owners later.

>> Councilmember Campos: It would be a revolving fund, money up front and bill the property owner afterwards?

>> Correct. A big storm, tree on the roadway, a property owner wouldn't be in a position to take care of it. We would dispatch the contractor to take care of it. But how many of those we would have next year and any given year is almost impossible to predict. That's why we aren't confident that we would have enough work to sustain any reasonable amount of our existing tree crew. So that's kind of the rationale as to why we would consider going contractual. Because it's a very difficult service level. That happens during the winter. We have three other seasons of the year where the work our crews wouldn't be doing, it would be done by the property owners. They would apply for their own permit or have their own contractor or they themselves would have to be able to do it. Being able to predict that we fell was extremely difficult.

>> Councilmember Campos: How do we actually identify the people we use, sense we're not going out for an RFP, how do we know? Do you have a list or is there somebody already gone through an RFP and they're on a list?

>> We're working currently right now, with the finance department, we have a purchase acquisition that's prepared and ready to go out to the tree industry. We will then receive bids back from tree industry, and tree patent firms and then award contracts to a couple of different firms and have them available kind of on retainer, if you will. So it is a competitive purchase bid process.

>> Councilmember Campos: I guess I'm not clear how that works. Let me share with you. In my memo, it was very clear to me that this would not go out for an RFP process, that there was no need for this. So I guess I'm not clear on --

>> Maybe I can clarify.

>> Councilmember Campos: Maybe you can.

>> This is under a request for proposal, professional type services --

>> Councilmember Campos: This is not considered a professional type service?

>> Maybe not in the definition of how the municipal code defines purchasing. This is a services contract that is a low-bid basis and so we're putting it out like a purchase order for sidewalk, repair services, tree maintenance services. So it is a low-bid purchase requisition process.

>> Councilmember Campos: Which then triggers the, what is it, living wage or prevailing wage?

>> That would trigger prevailing wage.

>> Councilmember Campos: So it would be prevailing wage?

>> It would be prevailing wage. That's correct.

>> Councilmember Campos: You can finish. I'm sorry.

>> I think that --

>> Councilmember Campos: That clarifies that, thank you. Those are all my questions for right now, thank you.

>> Mayor Reed: Councilmember Chirco.

>> Councilmember Chirco: Thank you. On page IX 11, it talks about street lights that would be turned off. I was wondering if this is something that we could prioritize, and that we ask whether we have asked and answered all the outstanding questions. Because this is a way we can save money, reduce our carbon footprint and still provide safe environments for our community. So I don't know where that's at in the analysis.

>> Councilmember Chirco, I think you've outlined kind of the key elements of looking at this proposal. The reality is we have a very high electricity budget and a need to balance our budget. We believe the modest reduction up to 900 street lights is a way to reduce electricity use, help balance the budget, and in working with economic development and our police department, try and identify locations where there's high ambient lighting levels already. We're uncertain, and many of our streets, we have very significant lighting levels. We have adjacent parking lots from shopping centers and other type of commercial activities, billboards and those types of activities where we believe lighting levels will still remain high, even if we were to turn off a limited number of lights that we're proposing here. This is part of a somewhat larger nonpersonal reduction in our department of about 150,000. So as we go through and try and identify the locations, to the extent we can't come up with 900 that we still think makes sense, that keeps the environment safe, that doesn't hurt economic development too much, we might reduce that count some. Kind of the overall strategy here is, we need to reduce our nonpersonal budget by \$150,000. You mentioned also, reducing kind of the carbon footprint and those types of things. We think that's an important part of this proposal and ultimately we expect to get these lights back on when the smarter street light technology catches up, where we can get LED type street lighting, where after 1:00 a.m. go to a reduced amount of usage. Ultimately we would hike to get them back on when we can implement that type of street lighting technology hopefully within the next two or three years or so. We're working through some demonstration projects, one through a CDBG grant and one through, spurring that technology on and push the technology through those lights.

>> Councilmember Chirco: I did see that, that was an exciting element but that's a little bit into the future. I do like the fact that there is criteria as to safety, economic development. That there be sufficient lighting that our community feel secure. But also, to look closely as we're doing it every other part of our city, where can we take cost-effective measures. The other question was on page IV 16, do we measure what percentage of residents commute by bicycle. I know on the general plan we're talking about a lot about multimodal transportation. And if this is going to be a priority of the city, are we looking at indicators of whether we're actually being successful in encouraging different modes of transportation. And this could be also a measure of our success, and it would show the -- that speed of traffic flow is not the only measure to judge the success of our transportation system.

>> Jim Helmer: Councilmember Chirco, excellent points. Yes, not only do we measure the speed and the volume of traffic on our streets, we're getting more and more active in measuring the use of our trails and our bicycle systems, primarily spearheaded by our bicycle coordinator John Brazil working through our bicycle pedestrian committee. We are finding that as the trails linkages get connected and the signage improvements are made and the safety issues are addressed, the use of these trails is going way up. Particularly along the Guadalupe, north-south between downtown and Alviso. So we're very excited about the growth in these non-auto modes of travel and we continue to measure the difference or the delta, as you might say.

>> Councilmember Chirco: It's really exciting as a member of the general task force which has been a good educational experience for me. But as a citizen I think it's even more exciting because it proves that we can be a diverse transportation type community and it works. Thank you very much. That's all my questions.

>> Mayor Reed: Vice Mayor Cortese.

>> Vice Mayor Cortese: Thank you, mayor. A quick question on the 9.8 million airport surplus that goes back into the rate stabilization fund. Is that something we're contractually obligated to do that?

>> Bill Sherry: No, we are not contractually obligated. Given the expansion program, this year we had excess funds where we had used those funds in prior years. So the whole concept of that fund initially at about \$9 million is in lean years, we pull from it, and then in years when we have a little bit of a surplus, we'll put back in, trying to maintain that fund so that we can stabilize the rates.

>> Vice Mayor Cortese: Which then allows you to entertain discussions with the airlines in terms of assisting with rate stabilization, is that the idea when you have money to work with in there?

>> Bill Sherry: Yes.

>> Vice Mayor Cortese: Okay, thank you. Another airport question, I don't know when it was, a couple of weeks ago, both Councilmember Chu and I were talking about the fact that we had had some dialogue with folks who were connected to the new administration in Taiwan, the fact that politically there's interested now in trying to get their airlines, China airlines to come directly to San José because of political and economic development connections that they have here. How do we pursue something like that? Obviously it is not a straight budget question because we're going to fund this program, no matter

what we do with Taiwan. But I can't imagine that just going out there with a check of \$100,000 or something is going to get people to all of a sudden take on a whole new air route. But what could get them over here is the question?

>> Bill Sherry: Well, seeking international routes is a multifaceted endeavor. Capturing Chinese routes is one of them. We tend to suffer far less delays than both San Francisco and Oakland. Additionally, our facilities with the new international terminal building that we have, offers excellent accommodations for a carrier. Carriers tend to flock towards the international hubs. In California that's predominantly San Francisco and L.A. But I think in times you will see carriers will tend to opt for our market where we have defined demographics to support the service and then they don't have to compete with the perhaps overcapacity in San Francisco and L.A. Additionally, next month we're going to be coming to the council with a new and improved incentive program. The council passed several years ago an incentive program which basically waived one year of operating cost for carriers that would come into San José. And what we concluded is, that not all service is created equal. So waiving, say, one year operating cost for a flight to L.A. is not the same as waiving cost for transcon. Year 1 it would be 100% waiver, year 2 a 66% waiver, year 3 a 33% waiver. We hope that that will be an incentive that these niche carriers will opt for and that will eventually provide the service. Initially we maintain a very extensive database of the demographics and the number of seats and tickets that are purchased in South Bay for various destinations and we share that with all the carriers. I tried to note earlier that on the domestic front we're probably going to see reductions. So seeing any sustainable growth is just not in the cards at least for this coming year. For that reason we've reduced our growth projections down for this budget to 1%. But I still think we have a real shot of capturing the international select markets. And the more we can work with the council and the business community to identify where those markets are, the better we'll be.

>> Vice Mayor Cortese: That's great. It sounds like when you talk about gathering data, which is great, and then going out and sharing it with folks, that you have some sort of a rotating -- don't let me put words in your mouth -- we have some sorts of outreach program or schedule for doing that, is that correct? I'm just wondering, you mentioned the change in the guard in Taiwan, suddenly could druggers at least political interest in doing something they haven't done before. And I was kind of -- what I'm trying to get at here is what's your M.O? Do you follow leads like that around the country? Is it more methodical, do you check the pulse or what do you do?

>> Bill Sherry: Our air service director is the former presidential of panam, dealing with the international and domestic flights for that airline. He's not here, he's on the road. Oh, he is here. Would you like to come down and talk? But he's been on the road. And so when we see that we have specific opportunities, then he'll get in touch with that carrier, and then interact with that carrier. Ed Nelson, director of air service development.

>> Good afternoon, Vice Mayor Cortese. I know I was here the last time you raised the issue. And I believe Councilmember Chu also raised the issue. We were trying to reach out to the folks at China air also Eva air. And the procedure that I try to work with first is contact someone in the U.S. offices. And share with them all the reasons why San José makes great sense in pursuing as a future gateway. There's only so many flights that need to be put into San Francisco, for example, Eva air, I brief, flies two flights and I believe China air has a flight, as well as Singapore and United. There's quite a few flights flying from San Francisco to Taipei. And based on the statistics I've looked at I think we have some potential to steal someone to cox here. And I know one of the issues that has been brought up is the curfew. And I know that several airline leave San Francisco after midnight. But if we look at, I believe China air was one we looked at. They have two flights out of Los Angeles. One in the late evening, about 1:00 in the morning and one in the middle of the day. So one of the things we're considering from a strategy standpoint is allow China air an opportunity to do the midday trip, in San José, and keep the evening trip in San Francisco, so they can access two markets. So it's one of the things that we're pursuing right now.

>> Vice Mayor Cortese: That's great. You mentioned the curfew. I was a couple of weeks ago -- I apologize for not letting anyone know, but I did kind of an impromptu tour of the fort concourse. Donned a hard hat and looked around, it's very impressive. In the international recruitment drill, will that increase our chances with the international?

>> From a selling point, I don't think it's a necessity because we have the international facility. But it enhances the overall product, because as you come up with the new terminal B, it's located adjacent to the international, it will allow for better connections beyond, into the United States, elsewhere from a foreign point, for example.

>> Bill Sherry: Well, let me just jump in on that. Right now we have two gates in the international fast. But the north concourse is designed to expand for the north gates, so at a if we start saying an increase in international service we can take the far northern gates of the north concourse and convert those to international gates. So capacity for international service at San José is really not a problem.

>> Vice Mayor Cortese: I assume to some extent, although it's kind of hard to tell these days but to some extent they're marketing a lot of American corporations and checking what their customer preferences are, not just in termination of the data you're talking about but as people become more interested in landing here for whatever those reasons are, amenity value, that you have a little better shot. But that's kind of what I was getting at. If that's not true, I'm just looking for --

>> Bill Sherry: No, I think it's true. I think it's absolutely true.

>> Vice Mayor Cortese: Thank you very much. I have one more question and then I'll go back to the microphone, it goes bam to Jim or Jim. On the lights, I'm just curious as you start piloting the new energy efficient lighting and so forth, are they producing that so it's still compatible with the observatory, we've made this big investment of low sodium lighting huge investment, I know what it cost over the years. Are we going to be able to maintain that in terms of new technologies or is it something we're going to have to think about steering away from?

>> Jim Helmer: Yes, it's absolutely our goal in Silicon Valley to challenge the industry to build the light, does all of the clean technology things we want it to do, such as Jim was indicating possibly dimming or changing colors at night. But we've been working closely with the lick observatory staff for the last year, we've formed an impromptu technical advisory, where our teams are working together and making very good progress on the establishment of a new street light policy that will be coming before you late this summer for adoption that the lick observatory will support.

>> Vice Mayor Cortese: Great, sound great. Thank you very much.

>> Mayor Reed: Councilmember Williams.

>> Councilmember Williams: Yes, thank you, Mr. Mayor. That answer was one of the questions I had regarding the lighting. To -- with our new technology, and laser, introduction of lasers and better able to control pinpoint lighting and so forth, would it be necessary to have the low sodium lighting? I guess since you're working on that conclusion as to how best to do it, that's great. How we're pursuing that because a lot of people in the community have asked for more light, quote, in their communities to heighten safety. It gives them a feeling of being more safe, when there's light in the community. So appreciate you looking at that.

>> Jim Helmer: Could I make one comment on lighting? It wasn't a question but I'll answer it. This week we're receiving our first smart street lights. We hope to install them here near City Hall. They'll be remotely changeable, going from a red to yellow light. They could be remote also dimmed or turned off. It's looking in advance for what the technology can do for the city and other cities. We're timing this test right before the arts festival so we can accommodate the art shows on the rotunda and then more broadly this summer after we are examining to receive enough funds in the community development block grant program as Jim indicated to convert 100 street lights, and with the goal, as Jim indicated, if we are going to turn off street lights if we have to, which is painful for us, we don't like to do that, we would just as soon turn them back on with the newest technology available to reach our goal within 15 years that have a street light system that is 100% energy neutral.

>> Councilmember Williams: Thank you. It's exciting. I really, really appreciate that. Since I'm talking to Jim and I have his attention, the Monterey Blossom Hill road to Brunell road, who owns that? I know we have ownership, state, city, and when I push on trying to get service, it says the state owns it, or the city owns it, I would like to know who owns it so we can pursue it.

>> Kevin O'Connor, Department of Transportation. That is a city owned asset, Blossom Hill to Bernal. I know you've been inquiring about having that resurfaced. There is a large sanitary sewer trunk line going in there so we expect to be doing that about 2010.

>> Councilmember Williams: 2010. I know at one point they will do open pit, but now they're doing boring. You want to wait until after that?

>> There is considerable disruption to the pavement even when they do boring. You have to pothole various segments to make sure you don't hit anything. We don't want to be digging in new pavement.

>> Councilmember Williams: In case it gets stuck you want a place to get it out. I appreciate that. Since there is a definite schedule for that, then I'll probable withdraw my budget document, how you like that? Take it back account not even submit it, as a target for that. So I can answer people's questions now with a date. So thank you very much.

>> You're welcome.

>> Councilmember Williams: On the controllers, and the items that we need for maintenance, since we're -- our backlog is so great, in terms of cost, have you considered just replacing those large boxes with more of the latest technology as you look at trying to maintain or bringing those -- consider outright purchasing and taking those big guys out?

>> Jim Helmer: Yes, councilmember, that is another area where we're really challenging the industry. We would like to see those traffic controllers about this big some day. But they're a long way from getting there. We have set up specifications and standards committees within our department making every possible effort to shrink the size of those big controller boxes. We have in fact adopted some standards that makes every effort to combine what used to be two boxes into one. We also take much greater look now at the locations of these so we can try to put them further from the corner, out of pedestrians' sight lines. Also, build them into the adjacent developments where possible. That's happening in many places downtown. And then ultimately, as we get more solid state equipment, running those signals, we can shrink the size of those boxes.

>> Councilmember Williams: That's all green and I love it. This is for the airport. There is a question there on page D 2, 404, it talks about the new airport systems, and the introduction of those and how we're going to meet the needs of our travelers, our customers, our tenants, et cetera. And then on page 409, there's an airport operation, we talk about responsive to changing needs of customers and environment and tenants and so forth. So the theme is being sensitive to needs at the airport and doing all of the things that you can to improve it. So your tenants, how will -- what role will they play in that? Because they have some responsibility to help make air travel good, as well. I mean the kinds of things that they do in the airport. So how are you approaching them for a commitment to help you achieve all of the things that you've kind of laid out here in terms of what you'd like to see in the future?

>> Bill Sherry: Councilmember Williams, the shared use systems that are being put into the airport allows us to operate our airport more effectively and more efficiently. And the best example I can give you is that before this modernization program took place, we had 32 aircraft gates. After we spend \$1.3 billion in three years of construction, we'll have 28 gates. And people will say, well, how do you do that and still allow the same amount of traffic to go through? And that's because we're utilizing our facility better. In the past, under the old operating agreements, the airlines would lease space for 30 years, and then hoard that space, even though it might be underutilized, and then we weren't able to get new corporate carriers in because -- entrant carriers in because we didn't have access to those facilities. Those facilities being gates, ticket counters, offices, so on, so forth. Under the new operating agreement we let it be known that we are the keeper of the realities real estate. The carriers get allocated space according to their usage. If their usage is high, it's more. If their usage is less, it gets less. In relationship to customer service we have set forth a very assertive program to be the airport of choice in the Bay Area. So we're focusing all of our new facilities and all of our services to be exactly that: The business airport of choice. And I think as we begin to roll out these new facilities, and these new services, and you'll hear about a few coming in the next few weeks, each one individually probably doesn't account for much but cumulatively they amount to a lot, that makes our airport the airport of choice from the customer's perspective. As the customer prefers to use our airport because of the ease of use, ease of navigation, will give a greater availability ever service and frequency. I hope I answered your question.

>> Councilmember Williams: Well, that's part of it. What I was getting to also, that you know, we're investing significant amount in the infrastructure.

>> Bill Sherry: Yes.

>> Councilmember Williams: And that goes a long ways to introduce opportunity for people to come there and be there, to provide the necessary services for the carriers. But then there's the personnel part of it, the part of people who actually go inside the infrastructure and they also make a difference in terms of whether I'm happy when I get to the airport, and my experience at the airport. You know, I got on, I got there safety, I got security, and all those spaces, to be a place where they want to come, want to be there. So I'm hoping that as we look beyond the infrastructure, that we're really investing, that we look into the management of it by -- the interaction, the personal interactions really make a difference. And hopefully, we can get all of the people involved in that process, that total satisfaction process. Because we have a lot of seniors traveling today. I mean, and they need to get to and from the gates. I mean, they need help, and service, and it's -- it's really pleasing to see them say, spile, in regard to that experience. And so hopefully we can work on making sure that connection is all the way through, the infrastructure as well as the people who provide the services out there.

>> Bill Sherry: We say that good facilities can make a good airport. But great people will make a great airport. And so with your help, and your support, we were able to allocate a position for director of customer service.

>> Councilmember Williams: Okay.

>> Bill Sherry: And that individual is working hard with all of our tenants, not just our carriers but concessionaires, all of the vendors in order to try to raise the awareness of improved customer service. We are the first thing that people see and the last thing that people see of this community. We can leave a lasting impression. That impression can be positive or that impression can be negative. It's important for us to leave that positive impression. So we're working hard. This is a good opportunity for me to stress that during this period of construction, we're going to have impacts to the traveler. We're trying to minimize those impacts as much as possible. But the beauty of this construction program is, it's a very short-timed construction program. So in roughly two years from now, you will have a new airport, with entirely new facilities, doubling of hold room space, doubling of restaurants and retail spaces, doubling of restrooms and the square footages allocated to those, doubling of lanes in roadway, so all of these improvements, together with the initiatives that we're bringing for for customer service, hopefully, will make San José international airport the business airport of choice.

>> Councilmember Williams: Great. I'm pleased that the progress is being made, and hopefully, we can make sure that we have a complete cycle of individuals and infrastructure and all those things that are going to make the flight. I don't know that we can do that much about the price of the ticket or anything like that. But all those things that we do have an influence over that we can, that really make it be the airplane of choice. So thank you very much.

>> Bill Sherry: We're working hard.

>> Councilmember Williams: Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you mayor. I guess real quick comments. Jim, on the sidewalks, will we continue to offer grinding as an option over the homeowner pay for that?

>> Councilmember Oliverio, we will still offer grinding. That is still in this budget, excellent service.

>> Councilmember Oliverio: D.O.T. side, sometimes bike lanes would be the alternative, can we do share roads?

>> Jim Helmer: Yes, to a limited degree, share-rows? It means sharing the traveling lane on heavily used bike corridors. We were one of the first municipalities to have tried those. They turn out to be well supported in the neighborhoods they're as well as the psych lists. We will continue to use that innovative tool as a stopgap measure, until we can get bike lanes in or perhaps permanently if bike lanes cannot fit.

>> Councilmember Oliverio: Moves a little bit further to what Councilmember Chirco was talking about. Airport, I'm sure you'll do your best, you've got a team assembled to do that. Number one choice is India, Shanghai, that's where the tech community goes to being that's the opportunity. On the I.T. side of the fence I notice we're trying to do green I.T. but I don't see anywhere mentioned in trying to use SAS applications. I see a allot of talk on trying to consolidate physical and virtual servers, at least try to ouse software applications, at least to appease me. She's coming down to answer the question. Slow it down, slow it down.

>> Thank you. Regarding the SAS, there are lots of new systems coming in and as the systems are coming in we're looking at that, getting bids from vendors internally as well as using the SAS, we don't have a strategy but definitely something we're trying to think about and putting together a green strategy for next year.

>> Councilmember Oliverio: I appreciate that. It should be a goal as much as anything else. When the opportunity sees fit and functionally equivalent, we should not procure any more servers, Yadayada.

>> I think next year the strategy is to come up with a solution on that.

>> Councilmember Oliverio: Kudos to the D.O.T. team on all the work we've done on the community meetings. I see the lieutenant reading his blackberry in the crowd. We knew there was not going to be a budgetary line item in trying to make neighborhood happiness. Again, we're going to have our community meeting tonight, bring something back to T & E on the traffic calming method. Some of the things we're looking at is letting streets self-fund things they believe are important, working with the schools on using their bond money to pay for some of the things that we cannot afford to pay or looking at a pilot using red light running lights so we can deploy more police officers into the neighborhoods and allowing technology which is already in the vehicle code, to take place. So thank you very much.

>> Mayor Reed: Councilmember Chu. Councilmember Liccardo. Go back to Councilmember Chu in a minute.

>> Councilmember Liccardo: Thank you, mayor. I -- since it is bike to workday, I think I should give a plug to the opportunities that are ahead for us. I know we don't have much money to do much of anything. But we all get that, let's be clear. But certainly funding through VTA is something we do have considerable access to particularly in the coming year, my understanding is because of the way the cycle worked, VTA level, fair amount of improvements were made for pedestrians and other type of safety. Bicycle improvements were passed over because they didn't have enough application. First of all, I appreciate Hans Larson sitting down with me. One of the things we focused on was universities and colleges, certainly those are folks where we expect to be using a high percentage, actually get a relatively high percentage out of that group of users. And I just want to really encourage D.O.T. to think about how we can get in the pipeline for the next year funding because my understanding BP funding is likely to increase substantially next year because it was passed over this year. Thank you Hans for your effort. Jim, I wanted to ask a question I tried to ask a couple of time times at the T & E committee meeting. I asked a couple of different ways and want to get a more specific answer if I ask it this way. I understand that we are constrained in terms of resources and what we can do for traffic calming. But it seems to me there are lots of different steps along the process between the time you get the community input and then the time you do the survey and then the time you do the construction. Well, there's a policy issue that's made before the construction's ever done. And it would be helpful for us to know where along that chain of sequential events is the greatest constraint. In other words, are we -- it's clear that certainly because of the policy, there are many requests for traffic calming that we cannot or will not satisfy. For hosts of reasons. But certainly, there are some that get through, the policy decision standpoint, and then wait in the queue for construction. And the bottom line is, we don't have the funds oftentimes. But also understand there's also a substantial queue at the survey or study level. That is, we've got a long list of studies to do and we don't have the people to do it. And as we're talking about changing the policy, the question I have is, are we just creating a bigger backlog somewhere down the line, manufacturing process, or are we creating backlog somewhere else? Are there particular areas we can apply pressure and really unclog that chain a little bit?

>> Jim Helmer: Councilmember Liccardo, obviously I haven't given you the exact answer you've looked for in prior times where you've raised the question. And it may be because it's a difficult question that doesn't have a simple answer. It actually is very complex. In the area of time that it takes to do traffic calming, I'm amazed sometimes that we can work with a community in excess of years, at their pace, often, so that they feel good about the ultimate solutions, and they have a buy-in so that they had not been necessarily rushed and feeling as though there is divisiveness in the neighborhood. But in the area of resources, we have seen a -- quite a reduction in the number of staff that have been able to respond to community traffic-calming requests, traffic-flow requests, taking data in the neighborhoods. And in the area of 15 full-equivalent reductions. The average traffic employee per population is about 15,000. If you were to look at nearby cities that are smaller than us, they may have two or three employees for 50 or \$60,000. So one area that we are really, really venturing on is collection of data, utilizing technology with permanently embedded technology solutions, again back to the street lights, I don't see why the street lights cannot be a traffic counter at the same time, just that the two industries haven't got together. Neighbors have volunteered to take count, to do license plate surveys, we've done that before. They're difficult to manage sometimes, but we will work. And this policy does call for more volunteerism and more opportunities to have the neighborhoods self-fund and actually pay for the construction and ongoing maintenance of these devices. So I would say the real bottlenecks really are in our ability to handle some of the more complex neighborhood request, on the funding side, I don't know any, if there's any neighborhoods out there that are actually not funded at this stage. Any projection that are in our pipeline. I know your district has recently held a summit and there were quite a few requests coming out of that. We appreciate the orderliness of that but it does bring a lot of volume at one time. We also appreciate that the request didn't suggest solutions. They identified problems, and that's where we do best, working with the community. We're going to need to work with your office and other councilmembers' offices to really prioritize those requests. I think the policy -- hopefully tonight I hope the community will say it addresses their concerns, modernizes, gives us an exemption process in case there's a neighborhood that kind of falls through all of the cracks, how the director's office could actually expedite an effort to go forward. So at this point I would probably be able to respond more thoroughly at the T & E committee meeting inup after we go through tonight's community meeting.

>> Councilmember Liccardo: Thanks Jim. So I understand clearly, you say by the time we've done the survey and the study, and the policy has indicated that, in fact, this is somewhere where we are, we should be installing a particular traffic calming device, that typically we will have funding for those -- that category of request?

>> Jim Helmer: Well, going forward that's going to be a real challenge. We don't have a large traffic calming budget in existence right now. And so we are going to need to look to either expand that budget or find other ways to pay for future traffic calming projects. Let me just reiterate, though, out of about 1700 requests per year, probably less than a dozen of those are actually for physical devices. By far, the vast majority are handled within 35 to 70 days. We used to get 83% resolved in 35 days. We are now down to 44% in 35 days. It's just fallen with our ability to respond. But the community understands that. They feel if we can get it completed in 60 to 90 days, that's still acceptable to them. But it is those smaller numbers that continue to not satisfy the cut-through or high-crash issues. Or the extraordinary number that experience unexpected traffic volume because of an event, so we will continue to work as effectively as we can with the resources we have to streamline the process. By the way, our next step is to now update our traffic calming tool kit. And the tool kit really is that dictionary of devices that we have tested and support in San José, and it exists today online but it will be updated as our next step.

>> Councilmember Liccardo: Thank you, Jim. I understand, I'm looking now at page IV 55, budget document, where the description of the school area parking compliance efforts, it would seem as though based on my reading, and I could be mistaken, that we actually, there's actually a revenue positive result from hiring folks to enforce school area safety and parking rules, assume because of the tickets that we generate. Assume I'm correct in believing that based on what's there, are there other facets of traffic enforcement that we can say will not have an impact on our General Fund if we increase the amount of enforcement?

>> Jim Helmer: Well, that can be explored. I don't think there's been a real in-depth analysis of various enforcement methods against certain infraction that would be a plus or a minus on the General Fund. I think cities, counties that have tried to rely on enforcement as a revenue means have sometimes found that that's kind of a panacea, that it works for a while, then once it's so successful, we have the staff, where's the citations. So we are pretty balanced in our goal to get compliance, with a small assurance that we will stay positive on the revenue side. An area that we think is very innovative, that our parking teams have employed, that these six parking and traffic officers are utilizing clean cars, Toyota Prius. They do that on foot when they get to the schools. They have purchased and speed display board on the trunk of the vehicle. They install that when they park and it's catching the eyes of the parents as they're slowing now. The pilot program will likely be successful now, we will deploy that in further areas of our parking department as possible. That's an area where we're leveraging traffic calming with parking compliance, similar to the question raised by Councilmember Pyle. Can we look for synergy with crossing guards and parking compliance. We think there's more of that too.

>> Councilmember Liccardo: Thanks, Jim, that inspired what will be our budget request document is more of those display boards to display the speed of folks as they're going by.

>> Jim Helmer: We got that budget document and we liked that one.

>> Councilmember Liccardo: Hopefully, it will have some real impacts. Lastly, I just want to encourage your department to do everything we can to move forward with this proposal for landscape and lighting district. I think we know we're not going to get any less broke in the next few years, and I think the sooner that we're able to bring this to council, and hash it out, the better. The needs are severe and certainly the time. Anyway, thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Just a quick follow-up, on Councilmember Liccardo's comment regarding to the parking compliance. I know if we go to any one of the city parking lots in downtown, you will find some huge trucks or expensive, fancy car that's taking two spaces in many of our parking lots. I wonder if we have considered increasing the patrol of those parking lots or increasing the fine of people that park a huge oversized hummer in a compact space.

>> Councilmember Chu, over the years, we've done I think varying levels of patrol within our garages to ensure they're utilized in the best way possible. We try to ensure this as they're utilized possible. They are paying customers and we want to encourage them to come to our downtown and use our downtown. We do try to strike a balance as Jim mentioned earlier with getting good compliance and utilizing our facilities well, without getting a feeling of over aggressive with our patrol.

>> Councilmember Chu: It's annoying to see a big car purposely occupying two spaces, where a lot of people are circle around and cannot find a place to park.

>> The if it's blatant, we will patrol and enforce for that approximate on it. We appreciate it.

>> Councilmember Chu: I want to thank you very much for your staff upgrading the AE did.

>>> Process, thank you. I know the current design, there is no pedestrian bridge between the terminal and the parking lot. I don't know where and how you would be able to find the money. But I think I would be continuing advocating for a pedestrian walkway between the terminal building and the parking lot. I think that not only will improve the traffic flow around the airport, and also avoid any dangers to the pedestrian. So that would be my comment.

>> Bill Sherry: Okay, just to follow up on that comment, we have preserved the capacity to put elevated ped bridge between the terminal and the parking facility. Engineering-wise, that possibility is there. You're absolutely correct, it is a funding issue. So we will continue to look for those funds. I think you will be very pleased to see the improvements at a we've made in terms of the at-grade crossing crosswalks. They're going to be far more visible, and I think the safety answer going to increase and we're going to have synchronized lights throughout the entire terminal campus. So I think that there's huge improvements at the at-grade crossings but there's no doubt, an elevated pedestrian bridge would be preferable and we are seeking those funds.

>> Councilmember Chu: Last comment is regarding the school safety -- school traffic safety program, eliminating of the one full-time position there. I just wanted to express my comment about, we're reducing the crossing guard, reducing the school traffic program. I believe that actually is a good investment, or any returning investment.

>> Jim Helmer: Councilmember, I know that was just a comment. But there was a vacancy that occurred during the year. Rather than filling the vacancy, which was termed the school pedestrian safety coordinator, we chose not to fill that, but portions of others to fill in to take over that position because we do know how important that is to the safety of students. We are utilizing as much of that school safety education going as possible. And we'll touch over 18,000 students per year with that program, when it's up and running fully.

>> Mayor Reed: I'd like to go back to the chart that you had up, that showed the crashes going down and population going up. I don't know which slide it was on, you had it up for a while. On page VII 398, San José injury crash rate per 1,000 residents, going down and a note that it's basically half of the national average. So I calculated that as 3,000 injury crashes that didn't happen. I want to thank the Department of Transportation and the police department on behalf of those 3,000 injured people or more that didn't get injured, because I think that's a great thing. A great record. And really a lot of work went into it for a long time. So let's never let that go by without noting that there's a lot of ways you can get hurt in a big city, and the police department deals with a lot of those but the Department of Transportation does as well. And that is an important element of being a safe big city.

>> Jim Helmer: Thank you. We certainly make a big effort and we can agree. Every injury crash that we can avoid, there are 2900, if you look at the average there, there are that fewer paramedic trips, auto body, medical expenses, every fast it of our society that saves from those.

>> Mayor Reed: Is there a national database on that? I know it is a comparison to the national average.

>> Jim Helmer: Yes, there is Mr. Mayor.

>> Mayor Reed: If you wanted to look at injury crash rates in other cities that's something that the federal Department of Transportation maintains?

>> Jim Helmer: Yes, they do that by collecting city data and bundling it into metropolitan area. There is a database that covers every city, every state, every metropolitan area. You have to dig deeper to get it at the city level.

>> Mayor Reed: It's good to be the best. I had a question involving city pockets that is encompassing almost every City Council agenda. We heard about the Chief of Police about the increased need for officers. I don't know how many miles of streets or traffic signals or street trees or anything else is in that. But that does add to your responsibility.

>> Jim Helmer: Yes, it does. Kevin O'Connor will probably give the best answer but what I can say is besides the area of infrastructure maintenance it has to do once again with safety and lighting and traffic control devices, traffic control requests. So we're making a comprehensive effort across the other department along with our other partner departments, police, fire, and others, to look at those impacts.

>> Mr. Mayor, Kevin O'Connor, deputy director of transportation. Through until 2010 we're expecting about 36 miles of new streets in the county pockets. Obviously it's coming in a phased approach. In the

back of each of your core service writeup and the budget document you see an element for budget, I believe we're adding about \$80,000 to our budget, excuse me, that will handle pavement maintenance, you know, traffic sign maintenance, landscape maintenance in those pockets.

>> Mayor Reed: Okay, we may occasionally want to remind our friends in the county, how much it's costing us to take that over.

>> That's not addressing the capital needs. It's just O&M.

>> Mayor Reed: Thank you. Speaking of costs, I wonder if you had the time to evaluate the new type of median landscaping, basically trees and rocks. You had median with lawns, which is very expensive. Trees and rocks will save us money. Is that really happening?

>> Certainly it's saving us money. The trips there to deal with litter or deal with trimming of bushes is significantly reduced. Also, makes weed abatement easier. We can deal with weeds more proactively. I don't have the number of a higher maintenance ideal and trees and rocks. I don't have that for you.

>> Mayor Reed: What is that, a type 1?

>> Yes.

>> We are planning to retrofit or simplify, where plant material has deteriorated, where it's trapping litter and those types of activity. We are streamlining about 60 acres this past year to deal with the reality of losing portions.

>> Mayor Reed: What would it cost us if we were to take over the maintenance of all street trees instead of the system we're using now?

>> Maintenance meaning the proactive trimming --

>> Mayor Reed: Everything for the street trees. I know we have a \$400,000 reserve for just emergencies.

>> Mr. Mayor, to get on a proactive cycle, about \$4 million per year. I believe we would be able to handle the emergency activity within that. For us to do it for the most efficient model, it would be about a \$5 million investment to do a five-year pruning cycle for all street trees.

>> Jim Helmer: Mr. Mayor, in our conversation with structural budget deficit committee, that \$5.1 million would roughly be equivalent to a \$28 per year assessment.

>> Mayor Reed: Traffic calming, any time we talk about neighboring city, I like to talk about revenues per person in those neighboring cities. If we had revenue per person in Santa Clara or Mountain View, we would have another \$300,000 per person to work with. I think that's all the questions I have. Go back through the council again. Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I want to do a follow-up question regarding the trees. So you mentioned that as we move forward, we don't think that we'll need the crew for the trees. So I would -- and can you do this through info memo if you don't have the data with you. What was the crew doing last year, if there wasn't enough work for them to do in the tree maintenance? And how many people did we have in that crew?

>> Councilmember Campos, maybe --

>> Councilmember Campos: And I know we had two storms during that team, so if you could assess that for me.

>> Maybe I can take a quick moment and try -- I should put in context more. Reduction of the tree crew is not something that we think is a good choice overall. But it's really doing with the reality of our budget situation, trying to balance the budgets. That's a service we would absolutely want to continue to do but we're really looking the situation of balancing our budget and that's why we're going to the model that we're going to. In terms of what the tree crew does today, they do scheduled removal of trees where residents get a permit to remove the tree, we'll remove that for them, they replant a new tree, they do the emergency work during the winter, they deal with pruning that needs to be done that could turn into a dangerous situation in the future, during the periods of fall and spring. That's a major activity they do. So they were definitely active throughout the year. The work that they aren't doing during emergencies though, will become the exclusive responsibility of the property owner to get a contractor to do, and to pay on their own dime. So once again, not a great situation.

>> Councilmember Campos: And who does the public right-of-way when they're not in a neighborhood? Who prunes those trees?

>> Currently it's the combination of the tree crew, and the tree crew will pitch in and help, and to the extent they're scheduled for other activity enables them to do that.

>> Councilmember Campos: What does that do? It's a vicious cycle I understand.

>> It reduces our availability, fairly significantly. These are very difficult budget choices and the condition of our landscape medians is going to start to decline, fairly significantly. That's why we are proposing to do retrofit and some plant removal where we feel we won't be able to maintain them. To Councilmember Liccardo's points, we should approach special maintenance district approaches very aggressively from a time standpoint, to try to keep them in as good a condition as we can.

>> Councilmember Campos: My last question is regarding the street maintenance. And our surface maintenance. And Jim, I know that this question comes up every budget, as well as the crossing guards, from listening to my newer colleagues talk about the crossing guards, and every budget crossing guards come up. Every budget it's on the table. And I would encourage you to really look at some of the ideas that are coming out of some of my colleagues, so that hopefully maybe next year we won't have it on the table. Because you know the council is actually going to bring that up, I think. Just about everybody brought that up, I bring it up almost every year. Resurfacing, how do you approach that knowing we have as much enormous backlog on that. Which street gets first pick?

>> Jim Helmer: It is a combination of processes. But primarily, we use a very sophisticated model that's required of us, really, to receive federal funds. It's our payment management system. It's Bay Area, it's used throughout the Bay Area and it helps the metropolitan transportation commission dole out those funds to communities on a fair and -- fair basis. But beyond what the computers tell us, we have people that make observations of our roadway system to validate the computer findings. We then coordinate the pavement programs obviously with our surrounding communities, new development, and potential capital improvement projects, such as was mentioned earlier. If we're going to do a sewer line in an area, we'd just as soon come back after the sewer line work and then complete the paving so we don't have to interrupt that new asphalt cycle. So generally it's the street condition itself. Based upon human and computerized testing. And then many of the other factors that I just mentioned that makes the call.

>> Councilmember Campos: How do you create an equity situation throughout the City of San José, if we've got them all at the same level? That's what I want to know.

>> Jim Helmer: We try to balance our work throughout the city, as best we can. Parts of our city are older than others. Some are more -- were not as good a condition when they were annexed into the city as others. Generally speaking we make an effort to have as much balance throughout the city as possible. In March, on the 17th of March, we gave to each councilmember office all of this information in detail. And a listing of the condition of every street that's going to be worked on, and the percentage that falls within each council district. So our March 17th info memo that we submitted a couple of months ago, probably explains it in much better detail than I can here.

>> If I can add, we have broken the city up into about 125 maintenance zones, based on the different council districts. We do rotate them typically on a 10- to 12-year basis, making sure we maintain all of our road work in the city, as equitably as we can, we do rotate around the city on an arterial street basis. It is primarily our ability to link different roadways together, it crosses council districts.

>> Councilmember Campos: I know one of the things the mayor brought up was about the county pockets. I know the budget isn't going to cover all the new county pockets that are coming in when we think about the roads. And I know that in my district, some of the roads were annexed over 30 years ago, and they already got addressed maybe five years ago or seven years ago. Not saying that your system isn't a good system, but we need to look at how we are really creating an equity issue throughout the City of San José. Thank you.

>> I think your point on the county pockets is a good one. I think this year we are doing the smallest amount of annexation. It will increase as we go forward.

>> Mayor Reed: Was that it, Councilmember Campos?

>> Councilmember Campos: Yes.

>> Mayor Reed: Okay, Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. These are pretty quick ones.

>> Mayor Reed: Let's try to keep the answers quick because we've hit our time here.

>> Councilmember Pyle: I'm just looking for money. In reference to the airport, in reference to your new vendors, which looks very exciting, what happens to that sales tax, it all goes to the state and then come back? Or stays with the airport?

>> Bill Sherry: Sales tax has as anywhere else, has application.

>> Councilmember Pyle: Goes to the city. and the revenue is going to go up?

>> Bill Sherry: I assume you're talking about the restaurants and the concessions, that goes to the city.

>> Councilmember Pyle: And captain cabalero, the number of speeders caught, is there any coordination with the CHPS, how much of an impact will the new police officers make? Do you see any chance to recoup more revenues there?

>> Well, I think Councilmember Pyle, to answer your first question first, the collaboration between law enforcement agencies doesn't really exist in the sense that they're city streets that we're talking about. So the primary responsibility falls to the police department.

>> Councilmember Pyle: But they go from city streets to the freeway, very often.

>> Correct. As you're aware, we were given 15 officers last budget cycle, three of those will becoming street-ready in October of 2008. Those folks will be deployed to the neighborhoods. And as Councilmember Nguyen asked earlier, our focus is on the chronic speeding and complaints in those streets and neighborhoods, as well as the ones that are near schools and most dangerous. So that's where we're anticipating deploying those officers as they come on board.

>> Councilmember Pyle: They won't necessarily be any increased income.

>> Not necessarily. I mean, we will do everything we can to ensure that we cite as appropriate. But I think as one of my colleagues here mentioned, we try and find a balance between enforcement and education.

>> Councilmember Pyle: Thank you. That's it.

>> Mayor Reed: Councilmember Williams.

>> Councilmember Williams: Yes, thank you, Mr. Mayor. I have several questions in regard to the median islands. You know, in the various economic development areas, like Edenvale, technology park, we have facility districts created for nice medians to attract people to come to that area. Are you saying that we're going to not do that anymore in order to cut the maintenance? Because we share in that responsibility. They pay the delta from the standard type 1 median island, as compared to a nice flowery nicely trimmed one and all that. What are we going to do in the future?

>> Councilmember Williams, we will continue to maintain the maintenance districts the way you described.

>> Councilmember Williams: You will be making decisions in terms of economic support and all that kind of thing as you look forward to --

>> Yes, where we have maintenance district we'll continue to provide that level of service.

>> Okay. Now, as you know we have a target to plant around 100,000 trees for the City of San José acknowledge is that the plan for the future? We need people to maintain those trees. We want them to be orderly, look nice and grow properly. So we're going to need that support in the future. So I may offer a suggestion that as we get our city forest to help us with that planting, that they help with the education. Have the property owners have the skills to maintain and grow those trees, so that they'll be useful and beautiful as we drive to see that canopy over time, as you drive down the street, to really make it look good. I think those are the kinds of things that we're going to have to -- we can't let the trees grow, we just can't-just because we can't go to them as often as we could, because they grow helter skelter and don't look good, some of them die and are not replaced. As we look at that, we need to keep that forest there to help for the future. The last thing I think perhaps the adoption of medians, I mean, there are community groups who are willing to adopt and maintain and keep a median looking nice, keep the leaves out, trim, so forth, so forth. In fact there is one near my home I'm willing to adopt right now. Because it needs to be. Because it looks great when it's maintained. So those are just some suggestions for the future.

>> Thank you. We appreciate those.

>> Councilmember Williams: Councilmember Oliverio.

>> Councilmember Oliverio: One quick question maybe for the City Manager. Are we allowed to delay annexations based on the inadequate infrastructure of some of them? For example I know a section out of the county and if I have to take 12 of them can I just take in the nice ones first and then wait for the other ones? We'll take them eventually because we have to but can we wait on some of those?

>> City Manager Figone: Rick will have to help me. I'm not sure if the phasing plan and the specifics are part of the settlement agreement.

>> City Attorney Doyle: The original goes ban to '92 where we committed to bring them in. The 2006 agreement, was it? Modified that to bring us into a time period. We weren't annexing them quickly enough. One of the complaints from the county is we weren't taking one of the more difficult time periods. Joe is the one that's working, but we can't pick and choose, it's just that there's low hanging fruit in term of size, how we can quickly annex, sum may require more noticing and outreach.

>> Joe Horwedel: Joe Horwedel, director of Planning, Building, and Code Enforcement. We in fact did do that. We are in the third phase. We've spread that third phase now over three years. Because because of the amount of streets that are coming in, the amount of people that are in the pockets that are coming in. I know it has been a sore spot from the county because we essentially cherry picked all the easy once for the first five years. We tried to get the easier once for the maintenance for D.O.T. from the outlying years.

>> Councilmember Oliverio: Thank you for trying to delay.

>> Mayor Reed: I think that finishes the transportation and aviation services CSA. The next area, we have an hour and six minutes or the schedule. Because all we have to recover is retirement plans, disbursements, employee Services, health and safety, information technology, designing and constructing facilities, purchasing materials, revenue management, departmental, diversity, strategy support and the council appointees. We can do that in an hour. Strategic support, sounds pretty strategic. Mark today has the task of bringing this together. In an understandable manner.

>> We will do our best Your Honor. Mark Danaj, I'm joined by my colleagues, director of finance, general services, information technology Public Works and our retirement director in the audience. Okay some we will proceed as we see if this will help us. Thank you. These first couple slides are just to give you a sense of the six departments that make up the strategic support CSA and the 16 core services that we provide to the organization. Our CSA is organized into four outcomes. Workforce development, maintaining, constructing -- the construction of public infrastructure and facilities. The effective deployment of information technology, and sound fiscal management. In short, we are the administrative backbone of the organization. Our current position and trends can be largely summarized under these eight themes. They include planning for the workforce of the future, controlling health care costs, wrestling with the grappling increase in inventory, yet resources available for the maintenance of our new facilities. We anticipate reaching the peak in the capital resources in the coming fiscal year. In the I.T. area we will be working to incorporate technology innovations. Adding to the information technology infrastructure. For the next four slides I will let them largely speak for themselves and highlight a few items and in particular some of the reductions and realignments under these outcomes. The first outcome is a high performing workforce. In this area in particular, we will have a key investment in the area of wellness and disease management to try to attack the underlying cost driver which is Hurricane Katrina inflation that will focus both on retirees and employees. In the area of reduction, there will be a reduction in a vacant position in the employment unit of human resources that focuses on class-based recruitments and including Public Safety. We will work to mitigate the effect of that reduction. In outcome number 2 we will continue to focus, in outcome number 2, safe and public infrastructure will continue to focus on greening the City's facilities as well as the fleet. In the coming two fiscal years, we will see a peak in construction in late 2010, the bond programs and the airport terminal area improvement will reach completion. As we reach these milestones we will have to work with the issue of making sure we have the resources to operate and maintain this new inventory. And secondly, we'll be transitioning to new projects and operating a reduced capital improvement program. We want to note the impact reduction in general services. Two staff members, a carpenter and maintenance worker which will result in increased cycle work time, the effective use of technology, we will focus efforts on the expansion of voice and data networks with an emphasis on security data enhancements, citywide technology in the area of GIS, Web and content management. Areas of realignment under this outcome, reduction in personal and nonpersonal budgets that will likely increase the call center wait time, service reduction in desktop support and finally reduction in staff's ability to address system upgrades to the capital management system. Outcome number 4, sound fiscal management, we will pursue efforts, two permanent positions this year, also invest in business field enforcement pilot program with two positions to perform field work in the area of business tax code enforcements. We will also implement, continue to implement procurement reforms, concentrating on the greening of the city's procurement process and procurement in general. Lastly in this area, there is a recommended in maintenance mechanicking that will result in the slowing of online data transfer. In summary, we will continue to address the highest priority needs in the organization with reduced resources by both focusing on improvements in efficiencies and continuing to reline our business focus for the needs of the organization. With that, Mr. Mayor and council, we look forward to your questions.

>> Vice Mayor Cortese: Councilmember Chirco.

>> Councilmember Chirco: I was wondering, on page 517 and 518, it talks about succession planning and how are we planning for that transition, the high quality organization. Is there mention of a workforce planning strategy that is being developed that will come to council?

>> We are actively working on a workforce development plan. We have been for a variety of years. We have not scheduled to bring an item to council, but it's certainly we could consider or potentially through the appropriate council committee. It ranges from understanding our workforce demographics, meaning where we are likely to have the organization, through extensive mentoring programs and leadership development programs, and in particular, this year as mentioned earlier, with environmental services we will be partnering with them with a key investment in their area in the plant in particular, where we will develop a real hands-on template for that particular work group and department to really plan for its future and likely take things we learn from that and apply them in other departments in the city.

>> Councilmember Chirco: I remember mentioning that, but CIP team, what remarkable steps forward they've made in this decade of investment. That references the first part of my question.

>> Katy Allen: Councilmember Chirco, you are one step ahead of us. I say that seriously because we have run the dialogue right now, working with ESD on transitioning out of the capital program that you guys have seen for many, many years into an ESD program. We have started a meeting with John Stufflebean and his staff, as they transition from the planning and development side to the construction side, so a lot of the experiences that our staff has gained over the last several years on large construction projects won't be wasted in the city.

>> Councilmember Chirco: I've just heard that we're looking at a real transition in our workforce and how can we bring leaders up from inside, and I've seen some really good work. So I look forward to seeing that continue. On the wellness programs that is mentioned in page 559, that I think this is an excellent strategy, and we need to think creatively about how we will be doing this. I'm hoping we'll incorporate municipal models as we look at what form this will ultimately take. How do we manage the health care, and one of the more positive messages I've heard is wellness programs. And then I don't think we've got to the appointees office yet but I have some thoughts on that too. At that point, these are the last of my questions.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: I did not request to speak. Thank you.

>> Mayor Reed: Okay. Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. As I was reading through this section of the budget, I notice that a lot of these services are being transitioned to online services, which is great. City jobs, trying to enhance recruitment through different online services, I think that's really good. I was reading on page 519, and it's indicated that over the next five years, 33% of the city workforce will be eligible for retirement and 25% will be likely to retire. My question has to do with our partnership and collaborations with the local schools, and universities. I know we have a great relationship with San Jose State university. Can you talk briefly with our collaboration or partnership with some of the other local universities, Santa Clara U, some of the community colleges, other counselors, over at those schools talking to potential graduates about the importance of working in the public sectors, working for the City of San José?

>> Sure, Councilmember Nguyen. The majority of our resources, the limited resources we have in that area have been concentrated with San Jose State university and the partnership we have with them on a variety of issues. We are looking to expand beyond that to work with other local schools as well as trying to get started on an issue called the public sector academy where we're really focusing on elementary and high school level individuals so that they start thinking about the public sector as an employment option as they move forward. So those are the areas of our concentration at the moment.

>> Councilmember Nguyen: Then the other question I have was, I'm not sure if the city has this but, when I decide to go through candidates in my office we run across about ten to 15 different candidates, we're only allowed to hire three to four full time. Two or three months later that candidate applied for a position with another councilmember and he or she ended up getting hired. We pass around good candidates. We have very limited positions. Do we have a system within our city where we have sort of like what we call a cross-communications department where a candidate may apply for one department but he or she may not be as qualified but they are skilled and pass on to other departments. Do we have a system that kind of cross-communicate?

>> We do, and it is recently in the past 15 months, a position would post, and once it was done it would close. After somebody has done with them, after somebody has made a decision and looking at them and

identifying them as strong positions and keeping them often longer and passing them down to other authorities, that's a recent improvement in the last 18 months.

>> Councilmember Nguyen: Then last question, regarding the fees charged for renting out the rotunda. Is this operating on a -- based on a cost recovery, the fees that we charge potential rentees, is that enough to cover the services that we provide?

>> Peter Jensen, general services director. It's a combination. We try to set it at cost recovery but we also have to be mindful of the market. And so we're actually on a per-event basis we're a little bit under cost recovery when you figure in overhead and other things. But that keeps us competitive with the rest of the market.

>> Councilmember Nguyen: Thank you, Peter.

>> Mayor Reed: Councilmember Williams.

>> Councilmember Williams: Yes, thank you, Mr. Mayor. Wanted to talk about the wellness, health and wellness program that you've outlined as one of the strong objectives you've got for this year. I see where Kaiser and is it blue shield, have agreed to contribute to a wellness program. I was thinking more in line of how do we get it all the way down to the employee, where the employee would benefit if that employee is healthy, and takes care of themselves, and we get down to a use kind of benefit. For instance, if I didn't use Kaiser for that year, there should be some benefit, because there was a benefit that accrued to Kaiser, not using that benefit, and share with other employees. Trying to gain some responsibility for one's own health and wellness, as opposed to a program where we don't get everyone. If we added such where there was a benefit directly, like reduction in your benefits or the cost for that year, et cetera. So where are they in terms of looking at a program similar to that?

>> Our program will focus on the individual. Because that's where it really makes the difference. So I'm going to take just a minute or two to get to your answer. It's the concept of sort of total health care management, understanding that we're not just a procurer of health care, we are part of the health care industry, we have 10,000 lives that we're ensuring, doing our best to pressure the market, it really gets down to the individual level, Councilmember Williams. So there will be individual care management which is a program which us as individuals and participants will be incented to participate in because it will be a free service where I can go and share my concerns or issues with a particular diagnosis that I've been given. So for example if I have a back injury and I have to have two disks fused where do I do that? Do I stay with my current physician? This will be a third party resource that will tell me the places in the geographical area that are the very best at that. Getting the best outcome from the health care I'm using, assessments, an incentive of some sort to take a health assessment where it will become a personalized health assessment of how I can do a better job, and feeding an organizational wide database. The focus will be making a difference on the individual level and it is very quantitative, this is not something we've done before. We used to be big in wellness and promoting healthy lifestyles but this is trying to focus on a quantitative level. For example, those of us with chronic conditions, diabetic conditions or prediabetic conditions, what if we could up our compliance with the normal things one could do if you're in that category? Increase that by 40%, we are going to experiment hard on trying to reach quantitative organizations, now getting more specifically to your question, programs where the co-pays are different or the co-insurance is different if I am following a prescribed regimen because I've already been identified as a person with a chronic condition. I'm not sure if we'll step into that right away but experience under our belt with impacting our trend increase. We're an organization where the insurance market sets us on our use of health care. To the extent we can demonstrate that we're different from the average population and have employees participate in that process, being healthier because of themselves, there is savings in being present at work, so less absenteeism, being more healthy when I'm at work because I'm more productive. A long answer, but focused on individual level, not heavy with incentives or disincentives not to participate.

>> Councilmember Williams: There is a profile that uses the service all the time and there's a profile who very seldom uses the service, and there is an incentive that says, I don't like to go to my doctor a certain time of the day, because there is a wait, then I can go to the emergency room and then I'm out of there. Those costs, that profile is a very expensive profile. And the idea is to, if we can work with the providers to have have them identify, where is it that the cost is? Where is the cost? For providing the service? What costs me the most? And then attack that, to say well, what can we do to minimize that impact, to really get to the heart of the matter so that your expense and my, you know, if I don't use your service to a great extent, then you shouldn't have a cost to me in terms of my -- what are you charging me

for my medical expense. I just want to get down to the problem level, find out what it is that we need to do and then get the impose to join up with us to help us have an impact there. Because it takes a lot to service an individual, when they come in to service, when you come into Kaiser or come into the hospital, it takes a lot to service you. But if you're well and you don't have to go, then that's a savings to them, because of resources, you don't have to apply that resource. So I want to be in that ballpark to understand where the costs are, what do we do to impact that, and have the employees as a result of that. If we can minimize our cost, because we have no -- we can't pay for it. So it's going to rely on the employees and -- I mean, the individual's own health and also the reliance on the individual providers to work with us to, if we can reduce our impact to them, therefore, we reduce our cost that -- the fees that we paid to them. So I think it's a start. And I think participation, understanding the profiles that we develop as we look at our health, is that those profiles ought to be ways in which we can help manage the cost of health. And everyone takes a, you know, responsibility for their health. They do that, it will help us a lot. So I'm glad that we're starting, and we've got a long ways to go, but you got to starts.

>> Absolutely. The quantitative measure of this, in a large sense we have a sense of where those costs are. Those costs like many populations, this isn't all that unique to San José, are those with unique, hypertension, diabetes, heart disease, not monitoring them properly. That's where the majority of the cost are going, not for the unique accident, with a lot of ER expense in it. Those with chronic conditions, who aren't managing them as well as they need to. So the idea is to focus on those groups, either one of those categories can get a big difference in Trenting resources that you're otherwise planning for.

>> Councilmember Williams: Well, I'm looking for, you know, this effort because we have to take the steps. No one else, they're not going to take it. They're going to ask for more. The most that we can minimize the impact, the employees and all of us could, you know, just take that responsibility seriously, we can do it. So I'm anxious. The other question that I had was in regards to, you know, we are stressed from a budget perspective. We have our employees. They're doing more. I mean, they're stressed out. Because you know, we haven't hired anyone, right, we just haven't hired anyone. So the people that remain here, they're really stressed out. That gets back to the health issue. So should we take that \$1.2 million that we save and invest in employees to help reduce the stress to the few employees here carrying all the big load? So somewhat we're contributing to our own health situation. So I'm thinking working creatively, look back at how we can help our employees here who are stressed, and I know they are. So it's a thought of how could we do that, you know, if we get the resources that we could save through a program, that allows us to reduce our cost and then reinvest that cost to help further reduce that cost.

>> Stress is a big component that will be encompassed under this program, as well. Stress is a leading contributor to a lot of those conditions that I noted earlier. That would be very much related to it. We have classes related to stress but this would be focusing on chronic conditions and really trying to make quantitative steps forward.

>> Councilmember Williams: Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you. My question is actually on V 25, and that's the labor compliance. And I know that in looking at this particular paragraph in relationship to the City Manager's budget, I know you're not stating to cut positions here but I know that somewhere along the line, and I see Katy looking at me, that it could be effective. Affected, correct?

>> Katy Allen: Councilmember Campos, you're exactly right. What we have now is a very solid program. I want to mention one thing that has worked very well for our program, it was several years ago when council adopted a disincentive for operations. I want disincentive for operations. I want to say, there is a lot of attention given to why that occurred. Participant 1. Part 2, it's making sure our contractors are aware of what the city's policy is and how they need to comply. But having said that, we do have two General Funded positions that oversee the City's service and maintenance contracts, and everyone in the entire city is looking at General Fund savings. So there is a potential that one of those positions would be cut in a tier 2 scenario.

>> Councilmember Campos: So what I'd like to understand is because we have come so far in the past, how long you have been here?

>> Katy Allen: I've been here actually six years now.

>> Councilmember Campos: We had a discussion six years ago now. We've come so far that we've been able to perfect the program. What does that mean if we cut that position and where does it put us? I

think we need to have a discussion around this if this comes up because I'd really hate to see us go back to where we were six or seven years ago.

>> Katy Allen: A lot of credit goes to Nina and her office. The airport and entire capital program pays for, we're trying to do it very efficiently so that contractors can submit their certified payrolls online. We are trying to keep all of our templates down to be as efficient as we expect they all pay for opposite quality assurance staff. It is on the opposite side that we'd be stretched. We've made strides but there is a strain on all the General Funded positions.

>> Councilmember Campos: Thank you.

>> Mayor Reed: Any other questions from council on this set? Okay. We're done with this set. I think that takes us to council appointees is the next area. Let me just double-check the agenda to make sure I'm not getting too far ahead. Council appointees, is that where we're going next? Just double-checking. That's where I think we are. We've got about a half-hour left before our next topic. Council appointees. City Attorney. I've asked everybody not to do PowerPoint presentations which is why you're not going to see much in the way of slides.

>> City Attorney Doyle: In the interest of sometime, we've handed out what was our PowerPoint. I'm sure I could take the half hour myself --

>> Mayor Reed: I'm sure you could.

>> City Attorney Doyle: Like being in court, and the judge tells you you have only so much time for oral argument. We'll make it quick. We've been doing this just like you've heard with a number of different departments for the last seven years. Every year we've met our targets. But unlike the city, which is 68% personnel, we're 93% personnel. And so it is virtually impossible for us to do, make, meet the target cuts, without affecting staff. And that's just a sad reality. The -- we've had a 10% decrease from 2002 to currently, in staff. We've gone from about 104 positions to 94 and a half positions, actually. We have reallocated resources in the past and we've been operating really at optimum capacity. We initially came, what's in your book is a proposal which is something that I don't fully support. It's a reluctant proposal, to say the least. Our initial plan met the 6% targets but did not have the required ongoing cuts of 80%. We had proposed, and that's the second slide, to eliminate two positions. We would have a reduction to our nonpersonal and then freeze the two other attorney positions. And I want to point out, those two positions that we were freezing were positions that were vacated when Bill Hughes and -- by the retiring of Bill Hughes and Susan de Vincenzi. We are finding it very difficult. The second proposal that we proposed was in response from the requirement that we come up with a proposal that meets 80% ongoing. And again, all we can do is look at staff to meet those cuts. And so my choice was really one of, do we make the cut involving our core service of providing service to the departments, to the council, in the form of day-to-day or ordinance drafting, contract drafting memos, advice, and or do we look at our litigation staff and cut our litigation staff. Just for an example we have six trials between now and August 4th of this year, four of which are police cases, either excessive force or wrongful arrest, one is the Fong defamation case and there is another one involving one of our downtown night clubs that has sued us because of allegedly police activities. As someone who is accountable to you as the client and somebody who has a professional obligation to provide a minimum level of competent service, horrible word, because that implies a C level of service, we were looking at what is it that -- what proposal could we make to meet this. And what it was is, it results in essentially eliminating three filled attorney positions, four total. Those positions are in our workers comp division and essentially we would be all but getting out of the workers comp business in-house. We just don't have an alternative that we would propose that would allow us to maintain our core level of service and at the same time maintain workers comp. Workers comp was done outside the city before 1997. We added the positions after that time. Staffing levels by way of background, we are well at the low end per capita. Sometimes I don't often say I wish I was like San Francisco but in this case, it wouldn't be a bad thing from a staffing level. But all joking aside, it's a serious issue because we are bare bones. Like many other areas of the city. But not unlike police, not unlike fire, we are at the lowest in the state. The workers compensation legal services, page 6 slide it shows the number of cases. Just quickly, the staff has almost a thousand cases. Last year, you added five adjutor potion. We've seen an increase from 186 cases last year to 287 cases this year that have come in the door. There are 100 more cases that have come into the office and we're doing it with the same staff. So it's just an enormous workload. The page 7 slide is one I do want you to see because this really goes to the work that John Dahm and the litigation team, the numbers that have come down are significant. This is '03 and 04 where you had almost \$20 million budgeted and those numbers have come down to \$12 million actual payout for this year. The savings are \$4.5 million for three consecutive years and putting

that in perspective, the amount of sales tax this city gets from valley fair annually is \$4.5 million. If you add up from Eastridge Santana Row valley fair and oakridge, that shows you how significant this program is, and if it goes out on you essentially, if it cost you more to litigate, it has a significant result. And frequently sort of the back of house activities don't get the acknowledgment they deserve but equally important is trying to contain these costs and bringing these costs down some \$6 million from its peak in 2002 has been very helpful. We estimate that based on an hourly rate of \$185 an hour sort of an average, that to use outside counsel with a caseload would be approximately \$1.5 million annually. We currently do that within the city attorney's office for \$805,000. I think in some, I'm just trying to get this quickly, and then we are prepared to answer any questions. We were asked to reach the 6% reduction target, we could do so but it requires freezing positions, eliminating two position but freezing certain position. And giving us a chance to work with the mayor's office either to get one-time money to staff or staff as needed basis but not giving up core services. As an alternative we came up with the workers comp proposal only because it is an area that we felt that pre-97 we didn't do it. What do you choose, it is a choice between two bad results or two bad choices. And the down side here is that it has, I think, a long-term, sort of ironic, short-term benefit of cutting cost, but the long-term benefit of essentially exacerbating the structural deficit and the human cost would result in actual layoffs. We're here to answer any questions. I want to just note for the council that we will be putting in a budget amendment that will bring back our first proposal. We think we can make it work. It gives us then a year to come up -- we understand that there are long term problems. We can work with the manager's office and departments to streamline where services are best needed and give us time to come back to the council to explain how we can provide service and competent legal representation with the reduced resources.

>> Mayor Reed: Thank you. I want to do all the presentations before we get into questions. So we'll turn now to the City Auditor, Sharon Erickson. Welcome to the first budget preparation.

>> Sharon Erickson: Thank you. I feel very welcome. Trends and opportunities we face in the auditors office with only two months under my belt. First let me say I'm very grateful to your choice for an interim City Auditor, Steve Hendrickson, who guided the office in the wake of some difficult times. As a result, in spite of several staff vacancies, we are well to our way of achieving targets in terms of audit records and achieving we hope the four to one ratio of audits benefits to cost for the year. The office has and will continue to conduct performance audits of city programs and services. With the significant number of vacancies in the office a emerge focus of ours is on hiring, rebuilding our capacity to provide effective audit services. In the coming year we'll also continue to facilitate annual external financial audits including the upcoming audits of measures O, P and S. We'll continue our semiannual recommendation follow-up status reports to ensure that the problems we identify in our audit reports get fixed. And finally, Weaver currently soliciting suggestions for audit topics for the coming year and conducting our annual risk assessment. Goal is to provide coverage for highest risk for the city. In June we'll be bringing our proposed plan to the rules committee. That's on a slightly different tack. We're proposing to meet our 6% budget reduction target by reallocating two currently vacant senior positions to program performance auditor 1 positions. We hope to be able to hire new public policy school graduates to fill these positions, school lets out in June. This action will achieve cost savings while allowing us to continue to accomplish our objectives and meet our performance targets. In summary, it's a challenging time but my staff and I look forward to increase the effectiveness of the city functions during the coming year. Thank you.

>> Mayor Reed: Thank you, Sharon. Lee Price, City Clerk.

>> The Clerk: Sharon, that was way too short. Now I have to follow you. Good afternoon, Mr. Mayor, members of council. Thank you for the opportunity to provide a brief overview of our budget. With your support last year, we were able to add a web content analyst to our team. And she has greatly increased our capacity to timely post council agenda items as well as much more information on our Website. Working with I.T, we have implemented Chad, the user friendly interface to council history and documents available via the Internet. And as it relates to a new performance measure to post within 30 days we are now linking ordinances and resolutions adopted by the City Council. And those are available from 2006 to present. My office has also been working very closely with general services and the City Manager's office to manage the master calendar and the new room reservation software. The Website has been expanded to provide greater access to the public to boards and commissions and includes much more information regarding our elections. Additionally the council policy manual was codified and put online this past year. Our office has proposed revisions to our performance measures, several of them as a matter of fact and these changes reflect the Reed and open government reforms and provide a wider range of measures of our overall performance. I'm happy to report that an initial implementation of a

customer satisfaction survey showed that the overall rating for customer service in the office of the City Clerk in the areas of courtesy, professionalism, knowledge and timeliness was 3.7 on a scale of 4.0. In order to meet our 6% reduction target we are proposing the elimination of the administrative assistant position. This was added 2006-2007, provided some additional management support to me and the assistant City Clerk. The position oversees our fiscal unit which provides strategic support to your offices. And your 90 employees that work for the mayor and the council offices as well as oversees budget and fiscal and grant management functions. Elimination of this position will require shifting these duties to other staff who are already engaged in other strategy support task force. And will likely result in service level reductions and delays. Most heavily impacted in the fiscal unit will be the analyst who is now currently processing over 300 HP and council office grants annually. The proposed budget also proposes a -- the part time compliance analyst to a full-time position. This position oversees the lobbyist registrations reporting position, the filing of statement of economic interest and other City Council mandated positions. We feel this is really important because the workload is so significant, that the employee in that position has actually been working in an overstrength position the last several months, and stays very, very busy on that desk. So I would note on page 7-654 of the budget document it incorrectly states that the compliance analyst would absorb some of the duties of the administrative manager if eliminated but unfortunately due to the current workload that would not happen so the work would fall upon the City Clerk and the analyst. In our nonpersonal item the largest item is to pay for elections cost. We have had a lot of discussions about the cost of election and I project we are currently sitting in pretty good shape. That is, we have sufficient money to cover the cost of the June and November elections and quite possibly some ballot measures. Part of our reduction strategy is to reduce our limited office nonpersonal budget by about \$35,000. With you way we'll meet this target is to reduce dramatically paper distribution of the council agenda packet. This will reduce our cost about \$14,000 in a year but frankly the costs will really be shifted to other departments and offices including your own when and if department wants a printed version of the agenda, as we would modify to electronic distribution.

Other nonpersonal reductions will affect our ability to train staff and provide other resources, as you've heard from ESD last week and even today regarding success planning efforts my office has experienced a high level of retirements over the past three years so I've been really busy trying to train staff and currently have three employees including the assistant city clerk who are engaged in the process of becoming a certified municipal clerk which is important as we provide the council with the highest level of professional legislative support. We want our customer service ratings to remain high and our contributions to the organizations valued. And this is why training is so important to me and to my office. Over the years the council's been very supportive of our efforts to look for and implement new more cost effective ways to deliver services. To this end we continue to work with I.T. to develop an enterprise wide electronic content management system and I've been asked to rebudget \$30,000 to help us define business operations leading to RFP. In the meantime, we are exploring more I.T. methods to improve service delivery. So with that Mr. Mayor, members of the council, I appreciate your support of the work we do and I'll answer any questions you have later. Thank you.

>> Mayor Reed: Okay, City Manager.

>> City Manager Figone: Thank you, Mr. Mayor, members of the council, I'm going to provide a very brief overview of our business plan and core services and then we'll also answer questions or my staff will be able to help me in that regard. As you know, the mission of the City Manager's office is to provide strategic leadership, that supports the mayor and City Council and motivates and challenges the organization to deliver high quality services that meet the community's needs. This mission is accomplished in several ways under the core services of our department. First is to annualize public policy which consists of the following key operational services. Those include agenda services, public policy development, intergovernmental relations and budgets. The second, core service area, is to lead and advance the organization, which consists of leadership management and employee relations. And then finally to manage and coordinate citywide service delivery which consists of neighborhood partnerships such as the strong neighborhoods initiative, in particular the General Fund portion of that program in coordination with redevelopment agency, the CIP action team, to support the council office and the community in this effort, during this decade of investment, and finally public education and community outreach efforts. As you also know, the office of economic development is under the office of the City Manager's department. Over the next few years, in addition to all of the efforts and initiatives presented by the various CSAs, the manager's office will be focusing on many key goals and objectives in an effort to continue to achieve our CSA outcomes. Our role, very simply, is to serve as a leadership

engine that keeps the train on the tracks during a time of lots of switching going on. The outcomes that we would hope to achieve which are presented in more detail in the budget document beginning on page 712, the first outcome that you could expect is that the community will receive customer focused results, driven services, there are many, many initiatives which could be pointed out under the key outcome and one in particular that I would like to highlight, and it's clearly not being led by my office, but will have my personal attention, and that's the general plan update that's currently underway. The second outcome is that the mayor and the City Council are effectively supported in making public policy decisions. Of course many, many complex policy initiatives which will require the leadership of our office, green vision just being one of many. And then the third outcome is our employees will understand around are committed to an accountable for the city's vision and have the capacity to achieve it. Again, you heard under the last presentation under strategic support, that we have many workforce development initiatives underway. And I see a key responsibility of my office is to ensure that we continue to pace the organization and keep them focused on the many, many activities underway. As you see in our CSA plan, or our business plan, it does demonstrate strategic initiatives that respond to the workforce, the community and the council priorities that will maximize service delivery in a period of diminished resources. Just a few of the reductions that I would like to point out to you, and this is in the context of over the last several years, as I understand, the department's taking a reduction of about 22 positions for about \$3.7 million. So that clearly was on my mind as we look for ways to achieve our targets, but to preserve the capacity to get the work of the organization done. So there is a senior executive analyst position in the CIP group which will mean that we will reduce the amount of reporting that we do in this area. I think that given the quality of reporting that you've gotten used to and the patterns that we've established, hopefully we can still meet your needs for information but reduce the amount of formalized reporting going to twice a year. We were able to keep the strong neighborhoods initiative whole by using the strong neighborhood reserve. I felt these were very important, even though these were date-limited positions, to ensure that the General Fund portion continued. But this is a temporary measure. We will have to reevaluate the ongoing funding opportunities a couple of years down the road. Similarly, with the domestic violence prevention program, this is shown in the police department. It is our sponsorship responsibility, ongoing staff position stays in place. But because the citywide account had about \$700,000 in it, I've recommended deferring an additional allocation for one year, to put that on hold, to use the funds that we have in the reserve, and then to revisit the ongoing allocation in another year. We have a few minor reductions that we proposed. One that I would like to point out to you, it's not really minor, but again, it's a strategy of drawing down on a reserve, and that is the reduction that we're taking in the City's outreach and education efforts. Again, looking to kind of a stop-gap measure for a couple of years by using some fund balance that we have. And then we were responsible for the sports and arena authority funding, and those CBOs have taken a 6% reduction. There was a one-time allocation provided has year to the sports authority, which we have suspended for this year. And then there is some -- there are some adds, using one-time funds in the citywide section, to provide for the continued optimization, you have heard about optimization in some of the other presentations. We will use one-time money to continue Sunshine Reform Task Force initiatives, the retiree initiative and then the structural budget deficit work that's going on. So that concludes my report.

>> Mayor Reed: Thank you. You may recall that we've already heard from the independent police auditor and executive director of the redevelopment agency in previous sessions so we just have the four appointees here as part of the strategic services study session, which is where we are now. So on back to questions from councilmembers for the council appointees. Councilmember Campos.

>> Councilmember Campos: Thank you. Rick, first of all, very good argument on why we need to keep the workers comp positions, and I would agree with you. And I think that in your argument, you also stated, maybe, a solution to work with the mayor's office and to come back with pain an alternative. So I would encourage -- I'm not supportive of cutting the workers comp positions. I want you to elaborate a little bit more on what you think we could work out. If not then we as a council need to think about how we'd look at alternatives to your office.

>> City Attorney Doyle: Yes, thank you, councilmember. I obviously will -- it will be working with the mayor's budget staff to try to come up with the proposal that we've outlined here. We'll refine it as part of afternoon amendment. What it doesn't do is have the 80% ongoing proposal and that really is coming down to I can't do that. I just professionally, it's without cutting vertically, something off, it's impossible to provide, in my opinion, the professional services that you, as a client, and that the city needs. And so that's sort of the bottom line. But we're willing to work on that one time and try to accomplish this, then

continuing the work over the next year. We may need some one-time funding for things like sunshine. But if I look at the issues, the disruption in the municipal bond market, we have five bond measures coming in the next few weeks. We are very much involved in that day to day. I have two attorneys on conference calls it seems like all night, weekend. We have sunshine reform, we are not getting proposals on sunshine, yet we are doing the bulk of the work, drafting, ordinances, if you sit through those rules committee meetings where they're providing a lot of that data and when all of the ordinances come forward it will be generated in our house, in our office. The ethics, all the ethics amendments that came in the last year, all the Reed reforms, you know, those came in the form of policies, ordinances. The green vision are going to require ordinances, they're going to need a citywide kind of green vision building and zoning ordinance. We're looking at economic development. Whether it's FMC and we're negotiating it for the first time, we buy it, until selling it with Lew Wolff, the lawyers are involved in sale, the financing and sale again. The grand prix, we're dealing with issues --

>> Councilmember Campos: Rick, let me ask you one more question. In your expert opinion, it costs us more to outsource any of these services? Or keeping your department intact saves us in the long run?

>> City Attorney Doyle: It saves us in the long run.

>> Councilmember Campos: Especially if as a city we want your office to continue to give us legal advice on sunshine and all these other items that you laid out.

>> City Attorney Doyle: Yeah, and again, that's really the gist of my argument.

>> Councilmember Campos: I appreciate that. And I guess as a council we really need to think about what -- where we need to be cutting, and sometimes, it just isn't beneficial to cut in a department that really does save us money in the long term when we're talking about legal advice. So I am supportive of your outcomes, Rick. How we get there, I'm challenging the mayor's office and the budget department to figure out how we get there. Thank you.

>> Mayor Reed: Councilmember Chirco.

>> Councilmember Chirco: Yeah, largely what I want to say is to echo what I heard Councilmember Campos said. I know risk management is a huge issue in a city as large as ours, and it's something that we need to monitor on a daily basis. I remember hearing from Planning, Building, and Code Enforcement and Joe spoke about the backlog of ordinances that they had to update. And that's all legal work. We have issues which continue to come up, which the city has absolutely no control over. Lawsuits, whatever they may be. We can't plan for those, and we can't budget for those. We also continue to add work to the city attorney's office, as well as the City Clerk's office. And I get a little uncomfortable and don't feel comfortable we can reasonably reduce significantly kind of the support that we have there. I know strategic services have taken such a hit over the last six or seven years, and that's not just in these two offices. I also know the City Manager and City Auditor. But I think we're getting to the point that while the City Clerk is the one that interfaces with the public, the City Attorney is what protects us as a community. And I know Rick just outlined many of the things that we've added to the city attorney's plate, ethics, sunshine, and public ordinances, requests that are so significant along with the challenge of the electronic records retention which I'm not sure anyone yet has a full handle on. I do feel that the city attorney's office, and this is quite a statement, my husband and I have been in business for years. I know we have attorneys but I'm not the first to defend them, and I'm defending you, Rick.

>> City Attorney Doyle: Thank you.

>> Councilmember Chirco: I know they play a vital role in managing our risk. We've seen recently in the media, the Half Moon Bay lawsuit. We as a city need that kind of vital legal oversight. It is a vital component of our city government and we need to provide those resources. I'm not saying it's 100% funding but I would just ask that the budget office and the finance department sharpen their pencils, it's not an easy job. The other side of being a small business owner is we've had to face those very real economic challenges. So that would be where I would like to see this go, is to do some real, hard thinking about cost effectiveness of budget cuts.

>> Mayor Reed: Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. I had a couple of questions. On page VI 65, it states here that you have 997 workers compensation litigated claims. In relation to a city of our size, is that a high or low number?

>> City Attorney Doyle: Let me ask Bill Clark, do you want to come down to the podium, the question is whether 997 or roughly a thousand cases is a high number of cases for a city our size?

>> I haven't done -- I'm Bill Clark, the supervising workers compensation attorney. I haven't done a close analysis. I believe it's average to below average. The high numbers involve the police and fire. That's

where I think it's close to 60, 70% of the cases. Mr. Dahm or Mr. Wong may have better numbers for you which we can produce for you.

>> City Attorney Doyle: We can get an info memo to you on that if you want.

>> Councilmember Nguyen: Okay, thank you. And same questions regarding the workers compensation legal services, is this an area that the interns in the unpaid internship program can assist with?

>> City Attorney Doyle: It's an area that really requires sort of a specialty. I mean, if you look in law, you know, workers comp, bankruptcy, tax, they're all specialties. In fact three of the attorneys are certified specialists. They can help insofar as maybe working up files and taking direction. But where we use interns most effectively from law schools is working with our litigation staff, trying to -- depends what level of intern. If it's a law school student doing research, it's not uncommon that you have research, lawyers by the end of their first year in law school, are trained to do research. Lawyers, law school students. We also have grads weighting for Bar exams. We try to spread the work around but it's mainly more on the litigation side.

>> Councilmember Nguyen: Then on the general comment, I want to echo my colleagues who spoke on this issue already. We all know that when we hire outside legal experts it's actually more costly than doing it in-house. So I wanted to echo that comments that this is something I would be having a very difficult time supporting. I'm hoping that your office can work with the mayor's office as well as the budget office to come up with a proposal that we can support. Thank you.

>> Mayor Reed: Councilmember Williams.

>> Councilmember Williams: Thank you, Mr. Mayor. Rick, I'm excited that you stood up and said no. I mean, that's guts. In light of all of the things that have been asked, I think it's time. You know. We have really loaded up the legal department with all of the various initiatives that we've got out there, you know. And so I really, with the team that you have, and the output that you give us, and the protection that you provide, and the successes that we've had, I'm very pleased with that. And so I'm going to recommend that you put in a request for some additional legal help. That's what I would recommend. Don't let the mayor, you know, squeeze you too much, you know. Ask him for what you need in order to protect this city. And just in the workers comp alone, that's significant. And then all of the other cases that we have, we could have had to pay lots more in regards to the cases if we had lost those cases. So I think showing what you have done, the value that you bring to the city, the dollars that you've saved us, in all aspects, would be something that I would detail to the mayor to plead my case, to show that there's a need for additional things. And we are going to grow in population, we're global now, and so that expertise we need. So I think just to say take a 10% or 5% or whatever that's necessary for you to take, in terms of the strategy. But when you take that cut, then it magnifies the fact that maybe the 10% isn't the right thing to do. I think in that lies the negotiation in terms of where we ought to be in regards to our legal support. So ask for what you want. You know? May not get what you want, but if you don't ask for it, defend it.

>> City Attorney Doyle: I appreciate that but that's why I'm here. You're all the client.

>> Councilmember Williams: Okay.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I just had my lightning stolen by Councilmember Williams. But I do want to add to the fact, between '04 and '08, it looks to me you saved almost \$2 million right there. So in a sense this is kind of like eating the seed corn. And that's not where I would cut, absolutely not. So do you -- I would think that because of the economy as it is, the lawsuits are going to get to be more, not less. Would that be a fair assumption?

>> City Attorney Doyle: Um -- I don't know. I'm looking at my chief trial lawyer and the assistant City Attorney. It's unpredictable. I think as it was pointed out by Councilmember Chirco, you can't predict and control litigation. It's something that I think -- there have been a lot of studies that in hard economic times you see more lawsuits. But let's hope it's -- we follow best practices and we mitigate those. Our principal client seems to be the police department. But they're a top-notch department. And fortunately, we've had good results. The short answer is, I don't know the answer.

>> Councilmember Pyle: I don't blame you for that answer. At any rate, I'm opposed to cuts in your department, as well. Thank you.

>> Mayor Reed: I have a question, I guess, for all of the appointees, perhaps. And that is, how much money can we save through the review of the boards and commissions that we're looking at consolidating and eliminating perhaps, because I know those are staffed by, some of them by City Attorney, some by the City Clerk, some by the City Manager's office. We're in the process of looking at that. The list of

boards and commissions have grown longer and longer over the years. Any idea of what the savings might be if we could consolidate some of those?

>> City Attorney Doyle: I'll take the first stab at it. I think it depends on what consolidation ultimately takes place. We staff, to the extent that any of those, some are charter departments would require charter amendment. It's hard to say. To the extent that we wouldn't have to show up to the occasional meetings of some of the others it would save staffing time. But I can't quantify if it's a .2 FTE over the long run or not. It wouldn't be a lot.

>> Mayor Reed: Okay.

>> City Manager Figone: Roberto is handling that review on our behalf. Let me just say that without quantifying it, I would say a substantial amount of staff capacity could be saved with consolidation. Noberto.

>> Mr. Mayor, I'd rather not try to guesstimate on the savings, but that would include analysis on what the potential savings or obviously cost, staff cost associated with staffing of various boards and commissions.

>> Mayor Reed: City Clerk, anything to add to that? Okay. Another question I have for all the appointees, and that is how we handle council referrals. Because we're all too happy to pile the work on throughout the course of the year and then we end up with you all having more work than you can do, and yet we can continue to add referrals. I know we have a referral policy, we're working through Rules and Open Government committee, so you have a fighting chance. I'd be interested in whether you have a suggestion on referrals, if you want to think about it and look at that in the future. I don't know if the staff, if you want to comment on any of those. City Attorney is always there to defend his interest but eager to help us when we want help.

>> City Attorney Doyle: That's part of client service. City Manager, her work is my work and my work is her work. It may be something that we all try to sit down and think of better ace to streamline. I think in more recent Rules Committees, we've been later to get back on work assessments. We've been a little discriminatory, on I won't say the willingness to take on the work, but the reality of how quickly we can respond. Deb, I don't know if you have anything else.

>> City Manager Figone: Well, Councilmember Williams said that we should ask. I would ask to limit the number of referrals and to continue along the path that we're on to do, the limit of referrals, what is the sense of urgency, and manage what comes through the pipeline. I think if we continue to be disciplined and focused so if we can get what's done that's on the plate and continue to focus on that.

>> Mayor Reed: Another question for the budgetary staff, whether or not we think we are appropriately and fully funding the appointees Offices from the enterprise funds which also get served by them. Jennifer.

>> Well, the appointees are captured in the overhead rate. So by definition, we should be capturing them through all the different city funds. Since we're all part of the overhead.

>> Mayor Reed: And there are some lawyers I know that work exclusively for enterprise --

>> Should be capturing the time spent on the projects and different areas by funding source.

>> Mayor Reed: And final questions for all the appointees is technology. And I remember when I was first as a lawyer, word processing hadn't been invented and every lawyer had a full-time secretary. And now heartily any lawyers have a full-time secretary and most of the lawyers are doing their own word processing. And so I don't know what other opportunities there are for technology and whether or not the appointees participate in the information technology advisory board or whatever it's called to look at opportunities where we can leverage technology in the appointees offices or not. I think that's an area we don't want to miss opportunities.

>> City Attorney Doyle: We use technology effectively and constantly reassessing it. When I first came to the city attorney's office back in late 1989, the ratio was probably one and a half or two to one secretary to attorney. Or attorney to secretary, excuse me, and two attorneys for every one secretary. Now it's at least four to one. And so we have fewer administrative assistant staff per attorney, and the one -- the other thing would I say, though, thinking on the litigation side, where technology is sort of a liability, is when we have discovery, specific with the e-discovery request now and public records act request, we have far more public records than anyone can imagine given e-mail and what's kept on someone's systems. Having to go through that is a greater burden, the paralegals and assistants that have to go through those, we save on the typing side and getting documents out but when it comes to reviewing documents because we all keep more than we probably should, it's just a bigger problem. What would I add is a few things. First of all, technology, there's probable many opportunities to increase our use of

technology but first of all that requires investment. And we should not overlay technology over bad processes and procedures. We need to spend the time on the business application review. One area would be the agenda process. We need to free up the staff and my office, the Clerk's office and the attorney's office in order to do that business process review before we decide what technology to apply to it. And then the third consideration is, technology is capacity-building and help us to put our human resources on those things that are really value-added. I would seriously doubt that we would be able to cut further because of technology but we would just enhance the capacity that we have.

>> Mayor Reed: All right. Those are my questions. Councilmember Williams, do you have a follow-on?

>> Councilmember Williams: Yes, back to the public records request. I was thinking that we're going to eventually have a database where we would keep public records or e-mails or whatever. And if people were interested they would get a password or access to that and take us out of the loop. If we can make the discrimination in terms of what it is that would be public, and it goes into a place, and if one outside, whomever wants public records, then they have -- they get an access to go there themselves and take us out of the loop. What is happening to that? Is that a plan, or is that something down the road, or whatever? We need to get out of that role. Because it takes my office a long time to go research and go back and look, and if we put that as a backup in our system, if we back up, that we back up those records and those that are, quote, public, then they would go to that base and then have someone if they are interested have access to it. So we need to get there because it takes a lot, a lot of time. It's available if they take the time to do it. We don't necessarily have time to do it. I hope we look forward to trying to do something like that, to cut the workload ourselves.

>> Mayor Reed: I think we're completed with the strategic support CSA. Our next item is the recommendations from the auditor, previously made, that might have something to do with money, more or less.

>> Sharon Erickson: More or less, we certainly hope so. The City Auditor conducts audits. We also have to make recommendations to correct the issues we identify. Every six months, the auditor's office prepares a report to the City Council, on the status of all open audit recommendations, to give you some context. Since 19 85, the office has made about 150 audits recommends, 95% of those have been implemented. This coming week the Public Safety strategic support committee will hear our report, 29 of those have implemented or completed. What you have before us are eight of those open audit recommendations that have potential budget implications. They include four recommendations for the fire department, including two recommendations to address overtime cost by controlling sick leave, two recommendations regarding alternative service delivery methods. There are two recommendations for the Public Works department, one regarding assigning responsibility for oversight of leases of city owned property and the other establishing procedures for timely project cost reimbursement. There is one recommendation per convention facilities Team San José to correct ADA noncompliant items, recovery of nonresolved claims in CalTrans. None of these are simple issues. Particularly in light of the current budget situation we agree the status given by the administration for these recommendations is reasonable.

>> Mayor Reed: Thank you. I had one question about the wellness program. For people at home trying to figure out what we're talking about, these series of recommendations is an attachment C to the City Manager's transmittal letter at the very front of the book. The wellness program, we talked earlier about that. One of your recommendations is that the fire department have a wellness coordinator. I'm curious what you're talking about now with the wellness program will satisfy the department along with the rest of the city when we get into it.

>> Sharon Erickson: The fire department has a number of issues, they want to look at sick leave by station, which seems appropriate. The other is we are working on a citywide basis on a wellness program, to the extent that can be addressed by the fire department on a wellness issue, that is a great thing.

>> Mayor Reed: Thank you, Councilmember Campos.

>> Councilmember Campos: Thank you. I want to understand your anything on C-3 when you're talking about the adoption of the older animals to raise the fee. C-3. I'm sorry.

>> Next agenda item.

>> Councilmember Campos: I'm sorry, I'm sorry.

>> Mayor Reed: We're almost there, though. I don't have any other questions for the auditor. So -- Councilmember Williams.

>> Councilmember Williams: Mr. Mayor, I had one question. In terms of, if you're going to look at the entire city as a result of -- and have the fire stations as a kind of a model, or profile, or whatever, are you

going to assess what facilities we have for the employees in throughout the City of San José, from a health and wellness perfect?

>> Sharon Erickson: This recommendation was a result of an audit of fire department overtime use. We specifically looked in that area, and I really couldn't be able to comment on the remainder of the city.

>> Councilmember Williams: This is just from an overtime perspective?

>> Sharon Erickson: Yes.

>> Councilmember Williams: I guess that would be -- you said you would use that as a model as you looked through the city to see if they had similar kinds of conditions?

>> Sharon Erickson: Any time we've got sick leave driving overtime use, that's a good place. If you've got -- well, what could be determined excessive sick leave usage, or sick leave that's leading to other folks having to pick up the work, particularly where it involves overtime, that's a cost to the city.

>> Councilmember Williams: Okay, I guess confirmation, all of those things would be looked at in terms of whether the correlation between sick leave and overtime and why, or some verification of it or what? How do you -- is it word of mouth or --

>> Sharon Erickson: That would really not be part of the audit recommendation part of it, but I would hope that would be part of the wellness program analysis.

>> Councilmember Williams: Okay, very good, thank you.

>> Mayor Reed: Okay, I think that completes this section. Thank you, Sharon. We'll now move into the fees and charges item. Are we going to have a staff presentation on this?

>> Yes, Margaret McCann from budget office. Let me give you a brief overview. Hi, I'm Margaret McCann, let's see, look at the presentation up here. Hopefully. Okay. Here we go. Okay. The fees and charges presented in the appease and charges document are expected to generate \$103.5 million, of which 69.9 million is in the General Fund and 33.6 million is in other funds which includes 24 million in the emergency communications system support fee fund. For the category 1 fees which are our cost recovery fees we expect to be in 96% cost recovery in '08-'09 up slightly from 93.5% in 2007-2008. This higher cost recovery level is due to the higher cost recovery primarily in our building and Public Works development fee programs these programs are using more revenue and expenditure an less of the fees to balance these programs. Can we look at the breakdown of the cost recovery fees, those are our category 1 and noncost recovery fees which are category 2, we expect to generate 62.5 million from our category 1 fees which is 96% cost recovery and 41 million from our category 2 fees which are the fees that can be more than or less than cost recovery. From an overall cost recovery rate of 95% in '08-'09 which is up from 91% in '07-'08. So now I'll do a few brief comments about the different departmental changes proposed. In our development fee programs each of these programs presents a balanced expenditures and revenues through the use of fee increases, use of fee reserves, cost reductions, some limited additions and some funding shifts. In building we have a 10% fee increase proposed and the use of 1.6 million from the C reserve and the elimination of 14 positions in nonpersonal to balance this 25.5 million program. In the fire department, a 4% fee increase is proposed along with some additional resources to meet service demands and the use of 368,000 from the fee reserve to balance that 6.1 million program. In planning a 7% fee increase is is proposed along with the addition of modest fee increases to balance the 6.7 million program. And in Public Works the fee increases are expected to increase revenues by 10%. This is necessary along with the elimination or redeployment of 13 positions to balance this 5.8 million program. In other areas in the Parks, Recreation, and Neighborhood Services the category 1 fees are expected to be 96% cost recovery and category 2 are expected to be 56% cost recovery. The category 2 fees are expected to be lower than last year which was 81% cost recovery due to the temporary closure of happy hollow park and zoo for renovation. Adjustments to facility use fees, the family camp fees for the 2009 season, gym and fitness and adult sports fees. The police department, the ECFS fee is estimated to generate \$28 million in '08-'09, 90% cost recovery, this is up from \$23 million, based on our actual collection trends. There are no changes proposed for the basic per line fee or the trunk line fee. The majority of the other fees in the police department of 100% cost recovery. There are a few exceptions that are under cost recovery based on a reevaluation of the time to process these permits from the police department. In those areas we are recommending to phase in the increases over several years with 10% fee increases proposed for '08-'09. In the City Clerk there is a new candidate ballot statement proposed, this is in compliance with the March budget message. And environmentally services a new landfill fee for all other nonrecycled waste of \$1 per ton is proposed which would generate \$1 million. In the finance department, a new business tax administrative fee of \$22 per account is proposed. That would generate \$1.4 million to the General Fund. And two other fees, a new sidewalk lien

fee of \$45 and an administrative remedy fee of \$38 are also proposed. These two fees together would generate approximately \$22 million. In the fire department 10% increase is proposed for the nondevelopment fees as well as some funding shifts to align with work being done and to maintain cost recovery in that area. And general services there is adjustments to the City Hall rental fees to hourly rate and increases to rotunda euroly rate to hourly users which do not include nonprofits or governmental users. Animal care and control fees are now reflected in this department rather than Parks, Recreation, and Neighborhood Services and there are a couple of adjusts in that area. One is the adoption for senior cats, that would go from \$30 to \$35 and the adoption fee for dogs which would go from \$55 to \$65. And then there are adjustments in other departments to keep pace with cost of living increases and/or to maintain cost recovery levels. And with that staff is available to answer any questions.

>> Mayor Reed: I'm sure we'll have a few questions. Councilmember Campos.

>> Councilmember Campos: Thank you. Before you answer my question, first of all, I want to say, well done. I think raising some of these fees have been overdue. And hopefully, that as we move forward, that we will see them truly cover the cost. But my question, I'll just repeat it again, was your thinking behind increasing the amount of money for older cats and dogs, your thinking just --

>> Councilmember, John Cicirelli. Animal care and service. Adoption fees are going up across the board, with the exception of adoption fees to senior citizens. Any dog or cat the fee is going to go up 5 per cat or 10 per dog. We're not trying to eliminate or make it more difficult for senior animals to get adopted meaning the older animals. But the price --

>> Councilmember Campos: Do they get adopted now? Compared to the younger animals?

>> First of all there is not as many available. Second of all demand is not as great for the older animals. But in comparison to the price, for instance a dog right now, or a puppy would cost \$125. Whereas, a senior animal cost \$30. So there's a huge price gap there. If both of them move up, that price gap remains the same. It's just think of it as a little bit of inflation, you know, cost goes up sometimes for a dog it would be 10 or a cat would be 5.

>> Councilmember Campos: I hear your explanation. I guess if I -- if it's not too much to ask for you to kind of give me a brief, you can do it in an info memo of how many of the elderly dogs or cats do not get adopted each year, because I'd like to be able to -- if this passed, to be able to understand from this year to next year, I'm not going to say do a pilot program but it would be interesting to know what the statistics are. I'm just concerned that you know, everybody wants a younger puppy or a younger cat. And to put the elderly animals in a place that -- where they're not getting adopted and then what happens after? You don't need to tell me. But we all know. I'm concerned about that. So that's really my question. And you can biff me an info memo on that.

>> Sure.

>> Councilmember Campos: Thank you.

>> Vice Mayor Cortese: I understand I'm next and then Pete. So I just have one question. Actually it goes back to the planning fees. I don't -- is somewhere here from planning? Joe's here. This actually is a question that goes back to something we were discussing during one of the priority sessions that Marilyn Snyder helped facility for us, Joe, at least in one of the groups I was in and you were in as well, I think it ended up on the board somewhere as a concept, and that was the notion of some kind of a -- I always call it permit holiday, but it's kind of like a permit, a wholesale permit waiver program during a short or kind of compressed window of opportunity, like they've done in a couple of the smaller cities in California. I know in order to do that you have to take you know a tremendous gamble that new businesses are going to form and start generating revenue right away, of other sorts for the city, but it doesn't necessarily -- I shouldn't call it a tremendous gamble, I think it's fairly likely if they take advantage of the free permit program and they go into business, the problem then becomes within your own department, you know, at best there's lag time for you to wait to enjoy some of that money coming back, that you didn't get in fees in the following budget cycle. If you were to, instead of taking the 7% fee increase across the board, and I don't know how much of this is a legal question, so I'll just sort of alert Rick, there may be a legal issue here in terms of cost recovery, but have you -- I'm just wondering if you've ever just kind of sharpened up your pencil and looked at what would happen if you kind of created the -- what would that be compensatory factor to -- in the fee structure to allow you on a one-time basis during the year like '08-'09, to offer that kind of opportunity, without -- on a net basis, without costing your department overall in terms of fees. And I understand that we can't jack up fees to people who don't deserve to have their fees increased. But the fee structure is so -- is complex enough, it seems like there's got to be some of those fees that are related to general overhead, the cost of building permit

program for all customers. I'm just wondering to what extent do you have wiggle room where you can shift some of that burden on a one-time basis over a year and people looked at that?

>> Joe Horwedel: Mr. Vice Mayor, what you're alluding to the city of Anaheim did. And we did talk with them based on your inquiry I think it was last year. And what we found was, we did have a large spike, as you would expect of activity coming in. They had to actually augment their staffing to maintain their service delivery, and then had a big dropoff on the back side of it as that ended. Looking at our activity, I think it's one that, if we were interested in doing something like that, I think we would need to be extremely targeted in what our outcome we are trying to achieve, what we are trying to incent. And I think we've been some in doing that in many ways already for our commercial or industrial developers, where what's important to them is speed to market. And so away we've created with the industrial tool program and our small business ambassador program and the manufacturing facilities, we've filled a lot of vacant industrial space around the city, millions of square feet. And what we have found is we offer a fee deferral with those programs. And it hasn't been -- the fee deferral hasn't been a decision point for those customers about why to participate. It's been that we've been able to provide a coordinated service. We charge a premium, time and a half premium for that service. They so much want the service just so they can get out weeks faster or months faster, it's so much worth it to them from that standpoint. The last piece I'll add with it is, going back to what you're trying to target, one of the things that we have found this year over the last four years is the complexion of our clients, our projects have changed dramatically. That previously, when we were doing residential projects and remodels, we were doing them on average for about 230 square feet, now we're doing them for 170 square feet. They're shrinking about 25, 30%. Our commercial industrial evaluations are down per square foot overall. So, what we're finding though is the cost to deliver services to those customers have not shrunk in the same proportion. Those are the ones that it is almost the most difficult to try and recover back from, the small businesses. We do, Rick can add onto this if he needs to. The cost recovery we go through and do it within the building, program within the Public Works program, the planning program and the fire program and within that we also try to balance it between like in building, plan checked and inspection. And then we do track for the new construction for plan check, what's going on with residential, commercial, residential, new construction versus alterations, trying to make sure in both of those segments we are balancing the books. We have a way to move around but that's how we balance the program. We make sure the customer who is paying for something is getting what they pay for.

>> Mayor Reed: Let me just say. We're hoping to get done in a half an hour so shorter answers would be better.

>> Vice Mayor Cortese: I'll try to wrap this up in one more short question. Realizing Anaheim's experience, whatever happened would be ultimately productive for them. They're a smaller city. If you did it across a larger wholesale window, the numbers would be a lot bigger in terms of what you had to make up later on in terms of revenue. I get that. Question is, and I'll let you try to be concise for the mayor, trying to make it a yes or no with some explanation. Does it make sense to even pilot pieces of what that would look like? For example, we've had folks come in from our neck of the woods, out East of 101, and say if we could just relocate my sign when I'm moving to another, larger space, that would make a huge difference to me, if I could do it without a fee and know that I could grandfather it in. So I'm just wondering, it seems to pilot something like that would not require necessarily a huge risk in terms of cost. Does it make any sense, Joe, in your mind, to roll out loss leaders, for instance, a sign on a one-time basis?

>> Joe Horwedel: I would say only do it on a one-off, and be very narrow in how you set out the goals. And then put a budget to it of what we're willing to invest in it, and look at it that way. And then we look at a rate of return on that. Did we get a return on that investment.

>> Vice Mayor Cortese: Okay, thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. I had a question on the rates and charges on page C-21. One, it refers to flower vendors which I think we've eliminated and created just one general category, street vendor category. And then I noticed the flower vendor, the ice cream vendor and the peddler all have different rates for the renewal and the transfers and the new permits. I just want to make sure we have the new vendor policy in mind and how we are going to reconcile those fees.

>> City Attorney Doyle: Councilmember Constant, the -- we took council direction, which was to come back with a new ordinance, and so until that new ordinance is in effect, I suspect the old fee schedule reflects what's currently on the books. But I'm not charge of administering that but that's my

speculation. At the time we come back with that change, we will make any necessary changes to the fee structure at that time.

>> Councilmember Constant: I understand we've approved it but we don't have the ordinance yet. I just want to make sure that all that is being reconciled and that there won't be multiple categories.

>> City Attorney Doyle: I think that's the idea, yes.

>> Councilmember Constant: Okay. Also on the same page it has nonprofit organization fund raiser, I want to make sure that's only the casino night fund raisers that need a permit or is that a change of prior practice? If so then maybe we should change the name so that it's clear.

>> Dave Cavalero, deputy chief of administration, police department. The fee or nonfee that you're talking about is a casino night ordinance that has not been approved by council yet.

>> Councilmember Constant: Okay. I think it's nice to have the fee, now that we have an ordinance that allows it. So that nonprofits aren't looking through this to see if they have a fee to get it. I think that's it, thanks.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. The question is on the development fee, how do we compare with the neighboring smaller business, if I have a 10,000 square foot industrial building in San José versus Sunnyvale, mountain view or Milpitas?

>> Joe Horwedel: For an industrial R&D building, the service fees, the cities that we've surveyed, San José would be the fourth lowest at \$145,000, that includes all the city service fees exclusive of taxes. Sunnyvale and Gilroy are cheaper than us. Sunnyvale is \$136,000, Gilroy is \$60,000. Mountain view is also over \$200,000 for the same building.

>> Mayor Reed: I have to admit, this document is not the easiest for me to find things in. I may have missed a few things. Night club fees and charges for whatever permits there may be required for any penalties that are incurred because they violate the regulation, where would that be? I'm talking about not the initial start-up fee but the on going fees. What I'm concerned about is the good clubs, bad clubs. I want to make sure the bad clubs are paying their fair share on whatever penalties we may assess for violations and that cost recovery where we can be.

>> Mr. Mayor, what we try to do, or when we do see these violations, the clubs and or club owners are issued what we call administrative citations by the police department. Those fees are then collected, supposed to be collected by finance. Typically after a hearing in which an administrator decides that the violation actually occurred and those are typically, those administrative citations are issued out of the vice unit.

>> Mayor Reed: Okay, I just saw an administrative citation here like \$38. Would that be the charge for one of those administrative citations?

>> I think it's going to all depend on what the violation is. But we have looked at what we were charging and I believe we work with the city attorney's office to make sure the fees are when line with cost recovery.

>> Mayor Reed: Those are not in this document. I'm gathering.

>> Scott Johnson: Mr. Mayor, Scott Johnson. That is a administrative fee or the the administrative cost for the remedies. What you are referring to under the permits, under the police department, on page C-22, that's where those permits are located and the related costs. Public entertainment, public dance halls.

>> Mayor Reed: That would be for getting a permit to have one.

>> Scott Johnson: Right.

>> Mayor Reed: A one-time fee.

>> Scott Johnson: Right. In addition to that the administrative remedy, when we go to a lien for administrative remedies we are also proposing to administer a new fee.

>> Mayor Reed: Stacking people up South Side when they're not supposed to, what is the fine?

>> Joe Horwedel: We have a fee that we charge for notice of noncompliance, a hearing we do before the Planning Commission for revocation of that permit, just looking up the fee right now, in addition, Mike is coming up and will explain the daily fines per violation.

>> Mr. Mayor, Mike Hannon with code enforcement. If code enforcement discovers a night club is operating without compliance, up to \$200 per day per violation.

>> Joe Horwedel: In planning we charge \$7:30 per violation. That's where we've received a complaint that a permit is not being followed. We will send out that notice, if it's sustained meaning the Planning

Commission finds, meaning there is a violation, we bill up to \$930 for a hearing before the Planning Commission and staff time.

>> Mayor Reed: Where are those fees? Are they part of this document?

>> Joe Horwedel: Page 143.

>> Mayor Reed: Are we cost recovery on that or is that not applicable in the penalty area?

>> City Attorney Doyle: In the top area they're a penalty and Mike, is there a cap of up to \$100,000?

>> Up to \$100,000. If we have to bring an action for failure to comply, we will add all cost we the city occurred in bringing them into compliance. That not only reflects code enforcement's time, building apartment's time, Planning Department's time, we're going to include all costs if we find a business in violation.

>> Mayor Reed: Looks like a pretty big hammer.

>> It's a pretty big hammer. We've had a number of these organizations, you my remember, sugar's, that closed. The only alternative they have was to face significant fines or close, so they closed. It is a fairly significant hammer.

>> Mayor Reed: It assumes somebody's watching. If the hammer is in the closet and stays in the closet, no one ever sees it and they don't pay any attention to it. What about false alarm fees police department fee? I guess that's a police department fee approximate when we respond to a false alarm.

>> I know it's called a disturbance fee. We'll find it for you.

>> Mayor Reed: I'd like to know if they're at cost recovery or if that's a concept that applies there.

>> It's on page 164. Item number 6. And it shows we're at 100% cost recovery. It's for the actual cost of response.

>> Mayor Reed: Do we know how much that is? How much is it?

>> Actually, Mr. Mayor, I think we're confusing disturbance ordinance is difference than the false alarm ordinance. We just did a review of the fees and costs associated with the false alarm program that we have in San José. We did a study of neighboring agencies to see if in fact our fees were in line, and we've determined that they are not. So we're working again with the City Attorney's office to make sure that we are recovering what we should be recovering.

>> Mayor Reed: What does it cost for the -- let's just say the 10th false alarm on one place?

>> We do three false alarms each year, gratis, no charge for that and then the subsequent is something like \$50, which does not cover cost.

>> Mayor Reed: Average cost of service is more than that, just on an hourly rate it's got to be more than that. And then the other side of it is preventing false alarms, because there's a penalty to be paid. We don't want officers out on false alarms because when they're doing that, they're not at where they're needed.

>> I believe the number is something staggering, 99% of those alarms are false alarms.

>> Mayor Reed: Do you know how many hundreds of thousands of them we might have every year? Maybe I'm exaggerated a little bit.

>> I don't, off the top of my head.

>> Mayor Reed: Another area, bogus 911 calls, when peel call for directions or because they're lost or they want to know if there are any good movies in town. Are we allowed to charge for that? It happens. I talk to the emergency dispatchers. I know it happens. Is that something we can charge for?

>> I don't know if we legally can. We don't know it's false until we do what we need to do. We take the call, respond to the call, et cetera, et cetera. We have to do those things first.

>> Mayor Reed: We should at least charge a buck to give somebody directions.

>> City Attorney Doyle: Directory assistance. We can get back to you on that.

>> Mayor Reed: I don't know how much money should be involved, but we're overworking some of the call takers and if we could eliminate some of those bogus ones --

>> Larry Lisenbee: Mr. Mayor, ECS fee does cover for that.

>> Mayor Reed: I'd be happy to deduct from the ESC fee to keep people from calling. I had a memo about taxi regulations and work we do at D.O.T. police, and that's not yet at cost recovery, to the tune of six or \$800,000 per year, and I know we have a lot of things going on with taxis, but I'm wondering if we are figuring on how to get to cost recovery on those?

>> We're taking it a phase-in to make it less impact on the taxi drivers in the city.

>> I think the deputy chief is correct on that. The realities haven't allowed to get us there.

>> Mayor Reed: Increase in taxi charges, would we consider that as we evaluate the request for increased charges?

>> Mr. Mayor, are you referring to the taxicab commission proposal?

>> Mayor Reed: Yes.

>> Yes, in an information memorandum we just submitted to the council, we did outline the cost of putting together a new taxicab commission. We also laid out the realities in shortfall of funding. We believe any decision to increase administrative activity feeds to come with some corresponding plan to get that industry to cost recovery.

>> Mayor Reed: I understand there's a fare request increase as well.

>> There is a fare request, the staff is in the process of evaluating, would bring back to council in August.

>> Mayor Reed: Would it be possible to consider our lack of cost recovery in the fare increase?

>> I think it's fair for staff to present, any updated information on cost recovery and if staff sees a plan or phased opportunity to get to cost recovery over the long term, I think that is effective.

>> Mayor Reed: That would be acceptable, I think. I had a meeting today at noon with one of our solar companies. No money down equipment would be easier to do if they could defer their fees, I think \$260 we collect up front, takes a couple of months to install the system before we they get cash flow back, is it possible to do that, before you turn it on, they make another inspection to pay the fee? Or is that way too troublesome on an administrative level?

>> Joe Horwedel: For us to issue the permit for that price, I don't think we could do it. If we could raise the fee, we have dramatically cut our cost over of the solar equipment fees, but we've stripped off most of our internal overhead already.

>> Mayor Reed: If you don't collect it directly, you need to follow up?

>> Joe Horwedel: Have admin staff chasing after them. It's not like I'm doing on one, I have to go around and chase down hundreds of these throughout the city. The administrative cost would kill us.

>> Mayor Reed: I get a letter from the chamber of commerce on our development fees. I'm certain you do as well. Indicating they couldn't be supportive of our increases unless we were going to approve services and lots of other things in their letter. I was just wondering if you had response to that letter?

>> Joe Horwedel: The one dated May 1st?

>> Mayor Reed: Yes. Judge one thing, we had to work with them as a chamber. We recognize that industry or certain segments of the industry are having very difficult times now. We've continued to work with the chamber to explain how we've done that. They've put forward some ideas looking to control some of our cost, using the reserves from building and fire to pay for the Public Works shortfall. As we've talked about with the Vice Mayor's questions there are some real challenges about how much of the reserves are portable between programs. We do some of that already. We do -- we agree that looking at more cost effective solutions about time and materials and how we bill for our fees, we've gone and relooked at that and held off this year on some of the planning reengineering that we were going to do to come up with a better solution on that. We also agree about coming up with better ideas about our intake and working with our applicants to have a better product in the door and that we're going to work with us to jointly come up with those standards. We have used contractual staffing, out of the strike. We have learned some things out of that that we are looking at in our regular service delivery. We are proud of the staff delivering services and we have tried to keep our staff pretty lean. When you look at other organizations the work we do is already pretty lean. The one thing in talking with Pat Dando last Tuesday, the letter, ideally they would like no fee increase as they say or limit the fee increase to the cost of living adjustments. And that's really what our fee increases are, but we're trying to be on a regular regimen of what it costs for us to deliver the services. Look at opportunities we've had for streamlining to reduce those costs, to back those out of next year's budget, if you will and then set our fees at what it cost to fully deliver the service next year. The last part I would add is streamlining doesn't always reduce cost. Technology, many times we're able to do things differently with technology but not necessarily cheaper. We have a program that allows us to issue permits on, and we're working with our big box retailers to pull their permits. But I'm working with a system that's a million and a half dollars of technology staff per year. Ettes a major cost, streamlining doesn't always result in reduced cost.

>> Mayor Reed: Thank you. Something I did find in the book, because I read it, that's on page C-4, changes in charges, summary of proposed fee changes, series of changes with regard to the uses the rotunda and the mezzanine and the bamboo garden, and one, two, three, four, five areas where we're deleting a fee. Peter, could you just talk about what you're accomplishing?

>> The fees that show deleted are ones that we've changed the basis from daily to per hour, we feel that is a more fair way to provide the charges.

>> Mayor Reed: Any other questions on fees and charges? I think we are done with that section and I think that completes the agenda for today, couple of minutes early, thank you for your help with short questions and shorter answers, that's always good. We'll see you all tomorrow for the regular council meetings.