

Almaden Valley Community Association
Meeting Location
Almaden Community Center, 6445 Camden Avenue
Tuesday, October 12, 2010

Chuck Reed

AVCA President Jerry Mungai opened the meeting at 7:00 pm and introduced San Jose Mayor Chuck Reed.

Mayor Reed began his remarks with a story about health care in more self-reliant times. “My parents grew up poor in Mississippi.” They received a pig as a wedding present. When Chuck was born, they sold the pig to pay for the medical care involved in his birth. The pig was their health care insurance.

Mayor Reed has three priorities:

1. to balance the budget,
2. to enact fiscal reforms,
3. to facilitate job growth.

The balance of his prepared remarks was an elaboration of these three areas of focus.

1. Budget

We are working on balancing the City budget in the context of a “dysfunctional” State. We balanced the City budget in June and are now working on balancing the Redevelopment Agency budget. We had a shortfall of \$118 million – 15% of revenue; but unlike Sacramento, we don’t have access to smoke and mirrors.

We are cutting \$60 million in jobs (that’s roughly 700 City employees) including library, police, and fire fighters. Last year the public safety budget (police and firefighters) was \$450 million. We had to shrink this workforce to pay the bills including the retirement plans for the workers. We avoided laying off 72 police officers as a result of a 4% wage concession on the part of their union. Most other unions (except the firefighters union) made 10% concessions for the same purpose.

2. Fiscal reform

Our long term structural deficit is “public enemy number one.” Over the last decade, revenues were up 20% but costs were up 70%. We must change direction. The City workforce shrank by 1000 employees over the same ten year period. In the area of public safety, as a result of binding arbitration, wages have increased 100% in ten years with the current average compensation (salary plus benefits) of \$180,000. A recent 2007 binding arbitration decision created an unfunded liability of \$30 million for San Jose, arising from a retirement benefit of 90% of highest salary, 3% annual increase, and lifetime fully covered medical care. In the last twenty years the cost of paying retirement benefits has risen from an annual \$35 million to an annual \$250 million. This rate of increase is not sustainable.

Current ballot measures V and W are intended to change this situation. Measure V says that binding arbitration cannot create and unfunded liability and the arbitrators must consider the ability of the City to pay. Measure W authorizes a new retirement system for new employees.

3. Jobs

Our focus is on private sector jobs, helping companies “to stay here and grow here.” For every software engineer, somebody needs to deliver pizza, sell houses, etc. Other countries provide subsidies for the purchase of equipment, California taxes the equipment.

A question and answer period followed.

Q. Why not eliminate binding arbitration, as recommended by the AVCA?

A. Binding arbitration was placed in the City Charter by the voters. Our polling indicates that roughly 25% want to eliminate binding arbitration and another 50% want to modify it. Measure V has been crafted to win, based on our estimate of the support available.

Q. What is being done with City property like the old City Hall?

A. There is some fear about what would happen to old computers housed in the old City Hall. The County would like to have the building. Older City properties will likely be sold to other government entities when we work out how to move out of them.

Q. According to a mailer on W, the second tier retirement plans will operate at a 1999 level. Why not replace this with a 401K type retirement plan.

A. Measure W allows us to change direction. The actual direction taken will be determined by negotiations with a stakeholder group including eleven unions.

Q. Is there a movement of administrative services out of the City Government?

A. Yes, an example is the outsourcing of janitorial services at the Airport, with a savings of \$3 million per year. This savings corresponds to a reduction in outrageous benefits.

Q. If measures V and W pass, will you have “free rein.”

A. We will have a clean slate; but not free rein. “There’s nothing I have free rein on.” We need a City Council majority.

Q. Are unions responsible for all the outrageous benefits?

A. An example of an outrageous benefit is the fact that fire battalion chiefs are management but are paid overtime because of the ruling of outside arbiters. Another example is that there is no cap on cashing out unused sick leave for public safety workers. One recent sick leave payment was \$300,000. The other nine unions have caps on the amount of unused sick leave that will be paid in cash on retirement.

Q. Your standing up to unions and representing the City is appreciated. We are not receiving the services we need from public safety workers in the area of animal control.

A. Work with you Council Member and work through a community organization like this one. Twenty years ago, public safety was one-third of the general fund budget; now it is

60%. Police services are being cut. Currently 911 calls are highest priority. In the case of an animal that is not endangering any person, a call for animal control is either priority 3 (requiring a response within hours) or priority 4 (requiring a response within days).

Q. Are pensions calculated based on overtime pay?

A. Yes, City pensions are calculated based on the highest year salary including both base pay and premium pay.

Q. Are arbitrators unionized?

A. I don't know; but they tend to be ex union lawyers.

Q. Isn't arbitration supposed to be neutral?

A. To form a panel of three arbitrators, the State supplies us with a pool of seven names. Each side (City and union) takes turns removing a name from the list. The pool is not neutral.

Q. What modification is proposed for binding arbitration?

A. The arbitration will still be binding but the arbitrator must consider the City's ability to pay based on an expected general fund not to exceed the average general fund for the preceding five years.

Q. Where does the arbitrator pool come from?

A. I'm not sure. I'm just looking at the results and believe I would prefer retired judges.

Q. Is the City aware that it is ranked number one for bad road conditions?

A. San Jose freeways and expressways we ranked worst. Neither is the responsibility of the City. But City streets are in bad condition. It is a matter of money. The amount is smaller. Some think we need another tax. Pavement is not ranked as high in voter priority as public safety, libraries, or community centers. We have delayed opening two libraries. For transportation concerns talk Dave Fadness [in the audience] for the big picture.

Q. Speaking of sustainability, will changes in medical care coverage and costs be part of the negotiations?

A. Employees and the City split the cost of Kaiser premiums 50-50. Retirees are 100% covered. The Fire Fighters Union is holding out for a \$1.2 billion unfunded liability for health care. Ten other unions have been convinced.

Q. Who determines numbers for arbiters?

A. Everybody has different numbers. The last five years revenue is an official, documented statistic with no room for argument.

Q. Why are City Park restrooms closed on holidays? Why not close the Park?

A. Some parks are closed on some days; but I don't know of a specific practice to close restrooms on holidays. Please send details.

Business Meeting

After the brief recess President Jerry Mungai opened the business meeting at 8:18 pm. Board Members present included:

4. **President: Jerry Mungai,**
5. **Vice President: Pat McMahon,**
6. **Secretary: Ray Strong,**
7. **Treasurer: Bob Boydston; and**
8. **Directors: Susan Bailey, Steve Levin, and Joe Boudreau.**

Secretary Report: (Ray Strong)

The September minutes were approved without opposition.

Treasurer Report: (Bob Boydston)

The Treasurer Report was accepted as submitted without opposition.

There was some discussion about the possibility of providing clearer titles for some columns.

Vice Present Report (Pat McMahon)

Pat attended a meeting on Mt. Umunhum. Meredith Manner would like to speak at an AVCA meeting (relevant web sites: <http://mtumunhum.org> , <http://openspace.org>). There are three alternative themes in discussions about Mt. Umunhum and its buildings and structures:

- a. Remove everything and provide trails, benches, and signage;
- b. Remove most structures, leave the tower, provide trails, benches, signage, and a formal program;
- c. All the above, except keep the structures as a museum and visitor center.

A second public workshop will be held in November and the plans should be finalized by July or August of 2011.

President's Report: (Jerry Mungai)

Jerry attended a meeting at City Hall. The meeting discussed the condition of City Streets. Jerry recommended saving by not competing directly with the private sector and removing the "living wage" requirement on City contracts. An increase in the gasoline tax was proposed. Transit expenses are expected to quadruple in twenty-five years. Planners including Dave Fadness foresee a six-fold increase in automobile traffic. Politicians like Diridon and Gore are responsible for the wasted investment.

Alternatives for a sustainable future are considered on the basis of the squeaky wheel.

A motion to instruct President Jerry Mungai to request that the AVCA be recognized as a stakeholder in discussions about alternatives for a sustainable future passed without objection.

Membership Report: (Lee Dimmit)

We have 125 dues paid members, with 466 recipients of our regular email messages. The most recent message was opened by over 31% of recipients.

Website Committee Report: (Bob Boydston)

Linda Spencer takes over tonight for a six month tour as web master.

Transportation Committee Report (Steve Levin)

A meeting on qualifications for police chief will be held October 21.

Jerry Mungai appointed Steve Levin to find a speaker on Plan 2040 Transportation for the AVCA.

Neighborhood Commission (Bob Boydston)

The neighborhood commission is missing one commissioner from Almaden. This seems to make no difference, since the neighborhood commission seems to be irrelevant.

Draft Minutes submitted November 28, 2010

Corrected November 30, 2010

Approved December 13, 2010

Ray Strong, Secretary