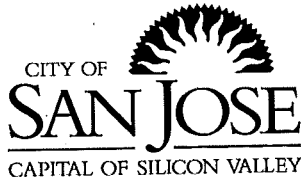


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Memorandum

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Debra Figone

SUBJECT: City Manager's Weekly Report

DATE: January 9, 2009

INFORMATION

Following are the key activities to be highlighted this week:

State Freezes all Bond-Related Grant Funds—On January 5, Parks, Recreation and Neighborhood Services (PRNS) received word from the State Parks' Office of Grants and Local Services (OGALS) that the Pooled Money Investment Board voted on December 17 to freeze all bond-related payments, including those funded out of Propositions 12 and 40. Grantees have been directed to:

- Suspend all bond-funded projects (unless they can be continued with non-state funding sources, such as private, local or federal funds).
- Cease entering into any new construction, grants, loans or other agreements that commit the expenditure of bond funds.
- Cease from entering into any new construction or other agreements or contracts that would be funded from bond funds.
- Immediately notify state project officers regarding any project which cannot continue with non-state funding sources and, if suspended, will subject the City to unacceptable legal liability, fines or penalties.

During the freeze, OGALS will continue to process payment requests and submit them to the State Parks' Accounting Office, where they will be held until further notice regarding this decision to freeze payments. PRNS is currently assessing the impact of this freeze on department projects and will provide a full report to Council by Friday, January 23. Additional information related to the actions of the Pooled Money Investment Board and impacts to the City was also provided to Council by the Housing Department in their Information Memo of December 18, which included a summary of impacts to the City's housing program, and by the City's State lobbyist at the December 10 and January 7, Rules and Open Government Committee meetings. For more information, contact Matt Cano at 535-3580.

Local Gang Task Force Activist Profiled in State Publication—San José Community Organizer Cora Tomalinas was recently profiled in the California Cities Gang Prevention Network Bulletin. The article focused on Ms. Tomalinas' success in merging community concerns and public policy. The feature details Ms. Tomalinas' outreach philosophy and grass roots strategy to combat gang proliferation in the City. Cora Tomalinas is considered one of the cornerstones of the Mayor's Gang Prevention Task Force and is credited with much of the program's success. She was the 2007 recipient of the California Wellness Foundation Peace Prize. For more information on the Mayor's Gang Prevention Task Force, contact Angel Rios at 535-3576.

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Parks Smoking Ban Education Campaign Gets Underway — On January 5, the City launched its campaign to educate the public on its ordinance banning smoking in City parks, titled "*Have Fun, Breathe Easy, Enjoy Smoke Free Parks.*" The campaign consists of a series of television and radio public service announcements, billboards, and educational cards. In October 2007, the Council approved City Ordinance 28159 amending Sections 9.44.022, 9.44.030 and 9.44.040 of Chapter 9.44 of Title 9 of the Municipal Code which prohibits smoking in parks, community centers, and libraries. The ordinance bans smoking in any area owned, leased or occupied by the City including: sidewalks, trails and pathways in or around park facilities, park strips and other grounds of any park, and within 25 feet of any entrance, exit, operable window, or intake opening of any golf course, community center or library. Signage has been installed in all City parks. The campaign is funded through Healthy Neighborhood Venture Fund (HNVF). For more information, contact Ed Bautista at 794-6211.

City to Select Consultant to Monitor Recycling Contractor Compliance — On December 19, the Environmental Services Department (ESD) received three proposals from consultants who will be considered for audit and compliance monitoring services for the City's Recycle Plus recycling and yard trimmings contracts. This periodic, independent review of contractor compliance ensures that the City's residential haulers – GreenTeam of San José, California Waste Solutions, and GreenWaste Recovery – are meeting the stringent processing requirements in their Recycle Plus agreements. The selected consultant will visit the contractors material recovery facilities to observe processing practices and audit their records to help the City verify that maximum recyclable materials are being diverted from landfills, and that the material is being sold for its highest and best use. The consultant also will analyze the current volatile recycling materials markets and assess trends and changes that can affect the marketability of some products. Staff will select a consultant this month and anticipates work to begin in February. For more information, contact Donna Perala at 975-2511.

Green Gardener Program Graduates 60 Green Thumbs for Inaugural Year — On December 12, 30 landscape professionals graduated from the fall 2008 Santa Clara Valley Green Gardener Program. In collaboration with regional partners, ESD sponsors Green Gardener training to promote integrated pest management, resource conservation, and pollution prevention practices in the local landscape maintenance industry. In 2008, Santa Clara became the third county in California to offer the program, which graduated a total of 60 Green Gardeners in its inaugural year. A first of its kind in the Bay Area, the bilingual Green Gardener course was completed by 19 Spanish-speaking participants. With a waiting list of gardeners eager to be green, the Santa Clara program is seeking State Department of Pesticide Regulation grant funding to continue the training program. Contributing agencies to the Green Gardener Program include the Santa Clara Valley Urban Runoff Pollution Prevention Program, County Integrated Pest Management Program, Metropolitan Adult Education Program, and Santa Clara Valley Master Gardener Program. A complete listing of Green Gardeners in Santa Clara County is provided along with more program information at www.mywatershedwatch.org.

Code Enforcement Partners with Non-Profit Organization — On Saturday, January 24, Code Enforcement and the Salvation Army will launch a pilot project, which will the non-profit organization into the Neighborhood Cleanup Program (NCU). Specifically, the pilot program will allow residents to donate usable items instead of throwing them away. This pilot project is expected to last 2-3 months, and may be expanded to other interested non-profit organizations after its evaluation. For more information, contact Rafles Warnars at 277-4407.

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Bike Plan Public Workshops —The Department of Transportation is hosting two community meetings to share information about the City's Bike Plan update and gather input from residents. This plan update will guide the City in its goal to enhance its status as a Bicycle Friendly Community, where bicycling is safe and convenient for all. These public workshops will be Wednesday, January 14, from 6:30-8 p.m. at the Alum Rock Youth Center Community Room, and Tuesday, January 20, from 6-7.30 p.m. at the Southside Community Center, Rooms 8-9. For additional information, contact John Brazil at 975-3206.

Form Meets Stormwater Function at New Roosevelt Park Community Center —On December 13, the Roosevelt Community Center grand opening ceremonies featured several aesthetically pleasing stormwater pollution prevention elements, including two art pieces on the exterior of the building that filter roof run-off. Other design features that naturally filter stormwater at the site are: landscaped swales, detention basins, and porous asphalt. These and other green building elements are part of the new building's bid for LEED Gold certification. ESD staff attended the grand opening to discuss the stormwater features and the importance of litter clean-up. For more information, contact Steven Osborn at 277-5635.

Emergency Utility Repairs and the City's Permit Process —A recent Mercury News editorial letter raised questions on how emergency utility repairs are handled within the City's permitting process. The writer was under the impression that emergency work on a main water line was delayed due to a permitting issue. In general, the Municipal Code allows utility companies to perform emergency repairs as needed. This policy helps utilities protect their facilities while also protecting the City's infrastructure. A permit is later applied for and issued to insure that the repairs are complete and expeditious. The permit "paper work" comes after the fact and does not hinder emergency work. This emergency repairs policy was applied to work performed on the water main leak at Vine and Oak Streets during the holiday season. On December 29, San José Water Company (SJWC) contacted Underground Service Alert (USA) to identify any other utilities that could conflict with repairs, indicating that repair work would begin December 31. On January 2, after repair work was complete, SJWC applied for and received a permit from the City. In this case, SJWC worked to isolate the leak without putting any customers out of water. Once the leak was isolated, USA and the Police Department were notified, and the repair was scheduled in a safe and cost effective manner. For more information, contact Katy Allen at 535-8444.

Economic Impacts on Local Governments —For your information, attached is a December 18, 2008, *Wall Street Journal* article regarding the economic impact on state and local governments nationwide. The upcoming year will present many challenges that have not been faced by local governments before and is a reminder of the difficult choices confronting the City.

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Upcoming Meetings & Events

Planning Division Community Meetings – Due to the volume of community meetings conducted by the Planning Division, please visit <http://www.sanjoseca.gov/planning/calendar/> to view upcoming meetings and events.

Bike Plan Update Workshops

- Wednesday, January 14, 2009, 6:30 p.m.-8:00 p.m. Alum Rock Youth Center, Community Room 137 N. White Road, San Jose.
- Tuesday, January 20, 2009, 6:00 p.m.-7:30 p.m. Southside Community Center, Rooms 8-9 5585 Cottle Road, San Jose.

For more information contact John Brazil at 975-3206 or john.brazil@sanjoseca.gov.

Third Annual Neighborhood Association and Youth Commission Priority Setting Session – Saturday, January 24, 9:00 a.m. – 1:00 p.m. City Hall Wing Rooms 118-120, 200 E. Santa Clara, San Jose, CA 95112. For more information, contact Nadine Nader at 535-8104 or nadine.nader@sanjoseca.gov.

Mayfair Community Center Grand Opening – Saturday, January 31, 2009. 2039 Kammerer Ave, San Jose, CA 95116. For more information, contact Ed Solis at 251-5757 or ed.solis@sanjoseca.gov.

2nd Annual Youth Commission 'Beat the Statistics' Youth Conference – Friday, February 27, 2009, 8:30 a.m. – 3:30 p.m. City Hall Rotunda, 200 E. Santa Clara, San Jose, CA 95112. For more information, contact Betty Montoya at 793-5559 or bettymontoya@sanjoseca.gov



Debra Figone
City Manager

Attachment

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DECEMBER 18, 2008

States Squeeze Cities, Spreading the Economic Pain

Recession Hits Both Levels of Government, but Some Local Bodies Push Back and Take Fight Over Funds to the Courts

By CONOR DOUGHERTY and AMY MERRICK

The worst budget crisis in decades is forcing states to cut funding to cash-strapped cities, which already are slashing police, firefighters and other services.

Cities have limited options when presented with state cuts, but some are fighting back. Last month, the League of Arizona Cities and Towns sued the state over its demand for city funds. A group of California redevelopment agencies sued their state to block it from conducting a "raid" of \$350 million in local redevelopment funds.

States typically reduce city aid during budget shortfalls. Localities will be hurt more during this recession than when government finances turned down earlier in the decade, said Scott Pattison, executive director of the National Association of State Budget Officers. After the 2001 recession, sales and income taxes were squeezed, but property taxes -- the primary source of local-government funds -- held up relatively well.

In today's recession, both state and local revenues are suffering across the board. In the past 30 years, state spending has grown by an average of 6.3%. States cut a total of 0.1% from their budgets for fiscal 2009, which ends in June; the faltering economy is increasing projected deficits in the coming months.

States are facing \$30 billion in budget deficits for the current fiscal year, according to the Fiscal Survey of States released this week by the National Governors Association and National Association of State Budget Officers. That figure is likely to grow in the coming months.

Twenty-two states, including Georgia, California and Nevada, already have cut spending from their 2009 budget.

This week Minnesota's governor and legislators said cities and counties can expect aid to decrease soon. The state is coping with estimated shortfalls of \$426 million for this year and \$5 billion for the two-year budget period that begins in July. New York Gov. David Paterson's budget proposal, released this week, would

cut about \$240 million in aid to New York City. The Nevada legislature voted earlier this month to take out a line of credit from its local-government investment pool to help fill a \$342 million shortfall in its \$6.8 billion, two-year budget.

Governors and state lawmakers say extraordinary measures are necessary because the downturn has sliced revenue including sales, corporate and personal income taxes. Commitments to local aid must be on the table, they say, along with across-the-board cuts to state agencies, tuition increases at state universities and pleas for federal assistance.

Cities say any decrease in funds could trigger higher local taxes and would cut into municipal services. While states usually handle big-ticket programs such as health-care funding, prisons and social-services programs, municipalities are responsible for services such as fire and police protection.

In Mesa, Ariz., the police academy won't have a graduating class next year, says Mayor Scott Smith, because the force is cutting positions. Libraries have cut their hours and swim programs will be limited to six of the city's 11 public pools next summer. Mesa gets most of its revenue from local sales taxes, and about one-third of the city budget comes from money distributed by the state, according to Mr. Smith. "For the first time our cuts are across the board and affect all departments, including public safety," he said.

Nevada, already reeling from foreclosures, has seen sales and gambling taxes from Las Vegas and Reno tumble. The Nevada legislature voted in a special session last week to establish a line of credit of as much as \$160 million from a \$725 million local-government investment pool. Cities, counties and school districts allow the state to invest that fund to earn a higher rate of return than they could on their own.

Borrowing from the investment pool would increase Nevada's debt at a time when state finances are expected to worsen. That troubled officials in rural Humboldt County, a mining community in the northern part of the state. On Dec. 1, the county decided to pull out the \$11.5 million the county had invested in the Nevada fund. "The state has not clearly set a plan out for how the line of credit will be repaid," Humboldt County treasurer Gina Rackley said. County officials planned to meet Wednesday to decide what to do with the investment, which currently is in a savings account, she said.

Most municipalities assume some state aid in their budgets. Already, many cities have pared spending through layoffs and lower public-safety funding, amid declining revenue from sales and property taxes. Because cities have less taxing power than states, reductions in state aid likely will force further cuts.

Adding to the local burden: During the real-estate boom, several states placed caps on local property taxes, to quell protests over taxes that soared with home values. In Indiana, statewide caps that voters welcomed earlier this year now are expected to hurt local governments that depend heavily on property taxes.

Last week, Gary, Ind., filed a petition about its economic plight with Indiana's Distressed Unit Appeals Board, which was set up recently to hear complaints about the tax caps. Gary officials said the new law could force the city to cut its general-fund budget by about half, or more than \$30 million.

In some states, legislation limits cities' exposure to the state budget knife. Four years ago California voters passed a law that requires state loans taken from local revenue to be paid back within three years. "It really changes the relationship between locals and the state," says Megan Taylor, a spokeswoman for the League of California Cities.

Some local bodies are taking their fight to the courts. The California Redevelopment Association, which represents local redevelopment agencies, filed a lawsuit this month seeking to block a bill that would use \$350 million in redevelopment funds to plug a state budget hole. In Arizona, cities sued the state after the state demanded that cities give the state about \$30 million. "We can't allow this precedent to stand," said Ken Strobeck, executive director of the League of Arizona Cities.

Write to Conor Dougherty at conor.dougherty@wsj.com and Amy Merrick at amy.merrick@wsj.com

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