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Memorandum

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Debra Figone

SUBJECT: City Manager's Weekly Report

DATE: June 5, 2009

INFORMATION

Following are the key activities to be highlighted this week:

Three National Rating Agencies Affirmed City's High Ratings —During the past two weeks, a multi departmental team, lead by the Finance Department, met with the three national rating agencies, Standard & Poor's (S&P), Fitch and Moody's, to update the City's credit rating in conjunction with issuing the City's next series of General Obligation (GO) bonds. The City has received the following confirmation on its ratings:

- S&P affirmed the City's AAA rating and maintained the stable outlook for the City
- Fitch Affirmed the City's AA+ rating, but assigned a Negative Outlook (see below)
- Moody's affirmed the City's Aa1 rating and maintained the stable outlook for the City

Although the City maintained its credit rating with Fitch, the City's rating outlook from Fitch changed from stable to negative. This change reflects the sharp decline in the local economy (declining assessed property values, rising unemployment) and the City's reduced budgetary flexibility given multiple years of position eliminations and other actions to address our structural deficit. Their rating outlook does not indicate an impending rating downgrade, and the committee was comfortable with our AA+ rating. Over the next 2-3 years, Fitch will monitor the City's economic environment, fund balance, reserves, and how the City deals with its structural deficit. If these factors improve, the outlook will change to stable. However, if our fiscal environment deteriorates, we may be subject to a rating downgrade to AA. For many of the same reasons, Fitch recently placed the City of Los Angeles on negative outlook as well. San Francisco has a stable outlook, but their rating is lower by two levels.

Although Moody's left the stable outlook in place for the City, they note that the City is facing significant budgetary pressures brought on by the deteriorating economy. Those concerns were mitigated by the City's successful navigation of the dot-com bust and the potential to demonstrate effective fiscal management in FY 2009-10. Moody's will be closely monitoring the City's situation over the next year. Although Moody's is seeing these same pressures across cities in California, our high rating of Aa1 makes us more vulnerable to a negative outlook.

Once the City's 2009 GO Bonds are issued in mid-June, staff will provide an information memo on their interest rates and projections on savings to the City, due to our high credit ratings, compared to other California Muni credits and the GO ballot language estimates. For more information, contact Scott P. Johnson at 535-7001.

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New Manager at the ForeclosureHelp Center —On June 1, Marlene Santiago began to serve in her position as Manager of the City's ForeclosureHelp Center. The Center has been operational for the past three weeks, and had been staffed by existing Housing Department staff. Ms. Santiago comes to City from one of our partner agencies, Neighborhood Housing Services Silicon Valley, and is one of only ten HUD-certified foreclosure prevention counselors in the County. Her vast experience in both the lending and real estate industries, will greatly enhance the services provided at the Center, which include: loan modifications, refinance loan document package preparation, direct referrals to HUD-certified foreclosure prevention counselors, and linkages to family re-stabilization services such as housing search, emergency financial services, family counseling and employment services. The Center accepts clients on an appointment basis only. Individuals in the foreclosure process or at risk of foreclosure can schedule an appointment by calling (408) 794-1242. For more information, contact Leslye Krutko at 535-3851.

Community Development Block Grant Recovery Program —On June 2, the Housing Department brought forward recommendations to the City Council, for funding under the Community Development Block Grant Recovery Program (CDBG-R), one of the stimulus programs included in the American Recovery and Reinvestment Act. At this meeting, staff stated that the application would include a request for reduced funding for the LED Streetlights Program, in order to provide sufficient funding for program administration. Since this meeting, staff determined that the amount needed for program administration was significantly lower than had been verbally stated at the Council meeting. As a result of this finding, the application submitted to the U.S. Department of Housing and Urban Development (HUD) included a \$215,000 funding request for the LED Streetlight Conversion Project, and \$50,000 for administration costs. For questions, contact Leslye Krutko at 535-3851.

Countywide Consortium Selects Consultant to Develop Five-Year Consolidated Plan —On May 27, a countywide consortium created to address regional housing and homeless issues, selected *Bay Area Economics* as the consultant that will assist the Consortium in the development of a regional Five Year Consolidated Plan (ConPlan). The ConPlan will contain basic housing and community data, market analysis, and identification of housing and community needs. By creating a single plan, the Consortium hopes to create common housing and community goals throughout the region. The ConPlan is anticipated for release in May, 2010 to the U.S. Department of Housing and Urban Development (HUD). It is a requirement for jurisdictions to qualify for federal entitlement funding, which in San José equates to nearly \$16 million in funds. The consortium consists of representatives from the Housing Department, County of Santa Clara and other cities within the County. In addition to the benefit of regional collaboration, it is estimated that the City will save nearly 40%, when compared to the costs of independently contracting for this service. For more information, contact Leslye Krutko at 535-3851.

The Algalita Marine Foundation informs San José about the dangers of plastics —On June 2, Dr. Marcus Eriksen and Anne Cummins from the Algalita Marine Foundation, gave a presentation to approximately 90 residents about plastic pollution, and the impacts of plastic on marine life and human health. The presentation was held at the Martin Luther King, Jr. Library as part of the Foundation's *Message In a Bottle* project. The event was filmed by CreaTV, San José's public access company for future use. For more information, contact Emy Mendoza 975-2554.

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Creekside Encampment Cleanup for Debris Removal—On May 30, City staff performed a fifth cleanup, removing 11.41 tons of trash and debris from four sites along the Coyote Creek and Guadalupe watersheds. Through collaborative planning efforts, the Housing, Environmental Services and Police Department were able to conduct this event to achieve cost savings and environmental benefits. Housing Department staff coordinated with local non-profits to offer outreach and services to encampment residents prior to the cleanup. Police Department posted notices warning of the impending clean-up, as well as supervising labor from the County Department of Corrections who conducted the debris removal. Environmental Services staff provided on-site support, debris disposal, the garbage compactor truck (courtesy of the City's Anti-Graffiti and Litter Program), and drivers to carry the debris to the landfill. For more information, contact Melody Tovar at 277-3892

Citywide De-stress Workshop Held—On May 28, Human Resources-Workforce Development Division, sponsored a *Customize your own De-Stress Strategy* keynote session which was attended by approximately 200 employees. Held at Council Chambers, special guest speaker, Kathleen Ronald, talked about how stress affects an individual's health/ job performance, and gave personal tips to help employees create their own personal stress reduction plan. Kathleen's humor kept everyone's attention and employee feedback has been extremely positive. Employees were reminded that each person has a choice on how to respond to situations in their personal lives, and many participants have already begun to develop their own personal stress reduction plans. For more information, contact Cathy Morrey at 975-1449.

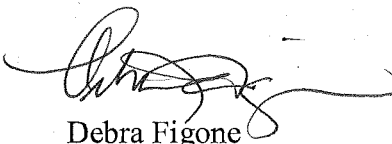
Upcoming Meetings & Events

Semi-Pro "3-on-3" Teen Basketball Tournament—Saturday, June 6—Sunday, June 7, 8:30 a.m.-5:30 p.m. Shirakawa Elementary School Basketball Courts, 665 Wool Creek Drive, San Jose. Registration begins at 8:00 a.m., \$20 cost per player. Participants must be ages 11-18, teams must consist of a minimum of three players, maximum of five. For more information, call 277-3317.

CommUnity Resource Fair—Sunday, June 7, 11:00 a.m. to 4:00 p.m. History Park/ Kelly Park, 1300 Senter Road, San José. Event will include resource booths from city, county, and community based service providers, as well as activities for all ages and multicultural entertainment throughout the day. For information, call Khoa Nguyen at 535-4813.

Philippine Independence Day Flag Raising Ceremony—Friday, June 12, 2009, 12:00 to 12:30 p.m. San José City Hall Plaza. For information, contact Council District 4 at 535-4904.

Wonders of Our Water Works Bus Tours—First and third Saturdays, May-October, 9:00-11:00 a.m., and 1:00-3:00 p.m. (exceptions for the month of July). Group tours also available first and third Thursdays at 10:00 a.m. For information, call 975-2556 or visit <http://www.sanjoseca.gov/esd/plantmasterplan/tour-reservations.asp>


Debra Figone
City Manager