



2010 State of the City Address San José Mayor Chuck Reed

February 18, 2010
San José McEnery Convention Center

Good morning. Welcome everyone. Thank you for attending San José's Community Breakfast.

Thank you, Lew Wolff for the nice introduction and for your decades of making investments in San José. Of course, we're all wondering just when your next venture in San José will get underway. Please give our regards to the Commissioner.

Congratulations to all of our community volunteers and city employees who were just honored. Thank you for everything you do to make San José a great place to live, work and raise a family. Let's give them another round of applause.

And I want to thank our emcees, Jennifer Andaluz and Manny Barbara.

Jennifer, thank you for proving at Downtown College Prep that all kids can graduate from high school and thrive in college.

Manny, thanks for your decades of leadership as Superintendent at Oak Grove School District and the spirit of innovation you have brought to the Silicon Valley Education Foundation.

To all of the elected officials who have joined us this morning. Whether you're a City Councilmember, a Supervisor, a school board member, or a legislator, these are tough times. Please stand. Thank you for your service.

I want to acknowledge my sister Sandy and my wife Paula who are here. Paula and I will celebrate our 40th wedding anniversary in June. Forty great years – thank you, Paula.

I want to thank Megan, Monserat, C.C., Evan, Tyler, Alma and A.J. who you just saw in the video. Kids like these are an inspiration to solve problems today so that we don't burden their future.

This is my fourth State of the City speech but I would like to go a little further back – to the beginning – to my inaugural address in January 2007 when I set a new direction for San José government, one based on honesty, fiscal responsibility, and open government.

Since that day, the City Council has approved more than 90 ethical, fiscal, and open government reforms – more than 30 Reed Reforms, more than 40 sunshine reforms, and more than a dozen reforms from the Mayor's biennial ethics review.

We eliminated the practice of making back room deals and springing them on the public at the last minute. We stopped making policy by surprise so the public can participate in the debate.

We made it much easier for you to get information about how we conduct the people's business and spend your tax dollars.

We created a community-based budgeting process that engages the public and helps us adopt budgets that reflect the values and priorities of our community.

And, we started down the difficult road of eliminating our structural budget deficit by working with our taxpayers and our city employees to find lasting solutions to fiscal problems that have been years in the making.

As we institutionalize these ethical, fiscal, and open government reforms over the next few years, we will permanently change the way city hall operates.

To my Council colleagues, you can be proud of your role in creating a city government the people can be proud of today and in years to come.

In my inaugural address, I also said that San José must remain the Capital of Silicon Valley, and Silicon Valley must remain the innovation center of the world. I am pleased to note that we are still Number 1.

The Milken Institute published a study last year evaluating tech centers and San José/Silicon Valley is still Number 1, by a large margin. But we cannot rest on our laurels. We have to compete in a global market and our driving industry companies have alternatives open to them around the world.

That's why San José must be the best place in the world to start and grow a business so that the jobs our driving industries create stay here.

We have had some great successes in making sure that our driving industry companies locate here, stay here, and grow here.

Let me drop a few names of some of the companies that have done so in the last three years: Brocade, Ericsson, Cadence, UltraTech, NanoSolar, SoloPower, Stion, Harmonic, Toshiba, Fortune Data Center, SVTC, Underwriter Laboratories, BAE, Fat Spaniel, Solar Junction, BioFuelBox, Align Technologies, and Equinix.

All of these companies, and more, chose to invest in San José, creating jobs for our people and generating revenues that fund vital services.

If you represent a business – large or small – that has added jobs or expanded operations in San José in the past three years, we appreciate your commitment to stay here and grow here. Let's give them a hand.

I also want to ask the members of my staff to stand. Your hard work makes it possible for me to do my job effectively. Thank you.

Our success over the past three years has given us a strong foundation on which to build, but as we look forward, we have both huge challenges and great opportunities in front of us.

Balancing the Budget

The biggest challenge we face is balancing our budget in the wake of the worst recession since the Great Depression, in a time when we must compete with the world for private sector investment, and in a state where the legislature eats local revenues faster than Joey Chestnut eats hot dogs.

To some, it seems that after nine years of coping with annual budget shortfalls, we are at the end of our rope. It may seem so, but I am reminded of President Franklin Roosevelt, who had to battle both the Great Depression and World War II.

He said: “When you come to the end of your rope, tie a knot and hang on.”

I am sorry to say that the global recession has hit us hard. It’s now time to tie a knot and hang on as we tackle a budget shortfall for next fiscal year of about \$100 million. That’s more than our entire budget for libraries, parks, community centers, and recreation programs combined.

The bottom line? We are in a deep hole.

Let’s look at how we got here.

First. Expenses have grown faster than revenues for years. The average cost per employee has gone up by 64% over the last 9 years while revenues have gone up by only 18 percent. The net result is we cut employees and reduced services.

Second. Revenues are now going down. Sales taxes and property taxes are our two largest sources of general fund dollars. Both have turned negative.

Third. We built a lot of new facilities over the past decade, and that has increased our operating costs. Our new fire stations each cost \$2 million per year for new firefighters. Our new libraries and community centers each cost \$1million per year to staff. In total, our new facilities cost an additional \$28 million per year, every year, to pay for operations and maintenance.

Fourth. We have to make huge new payments into the city’s two retirement plans to cover their losses over the past two years. Payments from the general fund into the retirement system will go up by more than \$40 million per year this year and more next year.

Finally, the State of California regularly raids our treasury and helps itself to our money. Over the past 12 years, the state has taken more than \$500 million from San José. The ongoing takeaway is more than \$45 million per year.

You are probably asking yourselves: How do we get out of this hole?

The first rule when you find yourself in a hole is: Stop Digging.

To stop digging, we have to stop allowing expenses to grow faster than revenues. Two-thirds of our budget goes into pay and benefits. That’s why we have asked our employees, again, to make concessions to help stop the fiscal hole from getting deeper.

Our employees are dedicated and work hard to deliver high quality services, and they already are doing more with less. San José has one of the lowest ratios of employees per capita for any big city in the country. I want to thank our employees for their hard work and the personal sacrifices they made this year to help save jobs and services.

In November, the Council directed the City Manager to negotiate a 5-percent reduction in the average cost per employee and to negotiate a reduction in retirement benefits for all new employees. It's clear after Tuesday's study session that 5 percent is not enough. We need every bargaining unit to give back 10 to 15 percent to avoid layoffs. It's time for everyone to share the pain to save the jobs of your friends and co-workers. I hope you will.

After we stop digging, the next step is to increase revenues. There are two ways to do that. We can ask the voters for a tax increase, and we can grow revenues through economic development.

San José voters approved Measures J and K in the last election and preserved nearly \$50 million a year in revenues. We are grateful for those votes of confidence. However, the prospects of getting voter approval for additional revenues are slim. If the City Council achieves substantial reductions in costs per employee and reductions in benefits for new employees, then we have a better chance of voter approval.

Even if the voters were to say "yes," that will not solve all of our budget problems.

Building a Strong Economy

We need to grow our revenues by growing our economy. That is our greatest opportunity. San José is the Capital of Silicon Valley, the world's center of innovation. Our driving industry companies will continue to create jobs and invest in innovation, facilities, and equipment. The question is: Will they do it in San José so that we get more revenues?

Thousands of San José residents have lost their jobs in the past twelve months. Our people need work. As the nation emerges from the recession, we must do everything we can to capture the jobs and the tax revenues that our driving industries will create.

It's pretty simple. We have to be the best place in the world to start and grow a business, because other states and countries want our companies to move there.

How do we best compete in this global market? There are five things we must do:

First. We must consistently and relentlessly let our driving industry companies know that we appreciate their business, that we want them to stay in San José, and that we will help them to do so. I have personally met with more than 150 Silicon Valley CEOs to deliver that message. Councilmembers and staff have been doing the same. So have our business leaders. Pat Dando, Carl Guardino, and Russell Hancock, we appreciate your help.

Second. When our driving industry companies are ready to relocate or expand, we must "work at the speed of business." The many CEOs I've talked to say it's the most important incentive we can provide.

In fact, many companies like Brocade, SoloPower and NanoSolar would not have invested in San José if we had not been able to meet their schedules. Without our ability to “work at the speed of business,” thousands of jobs would have gone elsewhere.

Deb Figone, Harry Mavrogenes, Rick Doyle -- thanks for the hard work being done by your staff to make it possible for San José to capture these opportunities. I especially want to thank Joe Horwedel, Ed Tolentino and the development services team who work long and hard to keep projects on schedule.

I am proud to say: No other city does it better.

I know there are CEOs, venture capitalists, real estate investors, and business leaders in the audience this morning, so just in case I haven't already told you personally. San José wants your business. When you get ready to expand or move, call me. My number is 408-535-4800.

Third. We have to invest redevelopment money wisely. You all know by now that San José has a lot less money to work with because of the recession and the state take away of \$75 million in redevelopment funds. We must focus our limited funds on generating revenues and jobs.

Fourth. We have to work with our Silicon Valley companies to ensure that federal and state laws and regulations do not penalize innovation, increase the cost of creating jobs, or make global competition harder. That's why we created San José's CleanTech Legislative Agenda to identify and remove impediments to growth and to support innovation and investment.

Finally, we must continue to attract and retain creative, talented, hard working people from around the world. To do that we must protect and preserve our environment, build an efficient transportation system, and provide safe neighborhoods with good schools.

Safe Neighborhoods with Good Schools

When it comes to safety, San José is already one of the safest big cities in the country thanks to the dedication of our fire fighters and police officers, but that is not good enough. We will continue to make our city safer.

I want to thank the San José Police Officers Association and our officers for their willingness to help improve what is already one of the best departments in the nation. The men and women in our police department deserve our support and gratitude for the work they do everyday. Despite a great deal of criticism that has been focused on a tiny percentage of cases, they continue to risk their lives to protect us as they patrol the streets everyday. When our people need help, they respond. On behalf of the million people of San José, I say thank you.

Last year, the men and women of our police department answered over 400,000 emergency calls for help and made more than 25,000 arrests.

A lot of attention has been given to the use of force, but keep in mind that force is used in a very small number of cases – less than one-half of one percent of the calls for service involve the use of force.

We will continue to work on resolving issues around the use of force, but it is not fair or productive to make sweeping generalizations about the entire police department based on a small number of incidents. It's time to reholster the rhetorical revolvers, lay down the weapons of mass exaggeration, and set aside other agendas. Let's focus on the facts, identify real problems, and then implement effective solutions, as we have in the past.

For example, the number of officer involved shootings has dropped dramatically over the past five years, thanks to giving our officers alternatives to the gun along with appropriate training and leadership.

And let me remind you that our officers are doing more with less. Even though we have added officers over the last three years, our number of officers per resident is still one of the lowest of all the big cities in the country.

Our homicide rate is also one of the lowest of all the big cities, and our officers solve those homicides at one of the highest rates of all big cities because they work very well in collaboration with our diverse community.

Residents, neighborhood leaders, community organizations, businesses and the San José Police Foundation all help our officers. Preventing crimes, solving crimes and getting violent criminals off our streets are community efforts.

This effort directly contributed to a reduction in the number of gang homicides in 2009. I want to thank the brave officers and prosecutors who take on the dangerous work of investigating, arresting and prosecuting violent gangs who traffic in murder and mayhem. Their courage and dedication has made our community safer. Chief Rob Davis and District Attorney Dolores Carr, your men and women are protecting us. Thank you for your leadership.

We are also working with Santa Clara County and our community to reduce the numbers of Latinos involved in the criminal justice, juvenile justice and dependency systems in Santa Clara County. Our project with La Raza Roundtable and Harvard Law School is off to a good start.

Research underway by the Consortium for Police Leadership in Equity will guide us as we continue to work to improve police practices and relations between the police and the community. Many community groups and community members have been willing to work with us in a constructive manner. We appreciate your help.

We know from the success of the Mayor's Gang Prevention Task Force that collaboration and innovation work. San José is a model for the state and a model for the nation in dealing with gangs. Mayor Susan Hammer recognized years ago that San José needed to address gang issues proactively and started the task force. Mayor Hammer – thank you.

The City Council made a wise decision in June 2007 to approve an increase in funding for the Mayor's Gang Prevention Task Force. That increase in funding made it possible to reverse the increase in gang violence that had started in 2004.

Through the collaboration and hard work of our police officers, our Parks, Recreation and Neighborhood Services staff, community groups, nonprofits, schools, churches, and Santa Clara County leadership, we have reduced gang violence for the last two years. That's a major accomplishment. Everyone who has worked with the Mayor's Gang Prevention Task Force over the past two years stand up so we can thank you.

Despite our success, our work is not done. Gangs are filled with kids who are failing at school. Prisons are filled with adults who dropped out of school. We have to stop the conveyor belt of failure that dumps poor-performing students into gangs and prisons.

Forty-thousand of our students in public schools are not performing at grade level. We cannot accept that. Sixty percent of Latino kids and African American kids are not performing at grade level. We cannot accept that. We do not accept that.

That's why we are coming together to implement the San José 2020 initiative to close the achievement gap. Together, we will ensure that all of our public school children are performing at grade level or higher, and our city will be safer.

I want to thank County Superintendent of Schools, Dr. Chuck Weis, for leading this initiative with me. If your organization has not yet endorsed San José 2020, please join us.

We know it can be done. A recent article in *The New York Times* highlighted two schools in San José that have closed the achievement gap. I'd like to congratulate Preston Smith, who was the principal at Rocketship Mateo Sheedy, and Destiny Ortega, principal at Anderson Elementary, for proving, in the words of Cesar Chavez, "*Si se puede.*"

Protect and Preserve our Environment

As we look to the future, we know that we will grow our economy, create jobs and our population will continue to increase. Yet we will protect and preserve our environment so that future generations will enjoy clean water, clean air, and open space. The key to doing that is implementing our Green Vision.

San José will be the Clean Tech Innovation Center of the world with 25,000 green jobs, and we are well on the way with dozens of clean tech companies making San José home, providing 3,000 jobs, and continuing to grow even during the recession.

As President Obama said, "The nation that leads the clean energy economy will be the nation that leads the global economy."

Mr. President: We agree. San José will be the city that leads the region that leads the nation that leads the world in clean technology.

Building an Efficient Transportation System

For our region to lead, we need significant investments in our transportation network, and 2010 will be a big year for transportation improvements.

We will finish \$1.5 billion of new construction at the airport, under budget and ahead of schedule. That's great news. Way to go Bill Sherry and Katy Allen.

Our new airport will provide comfort, convenience and safety with the country's most advanced baggage screening system. We appreciate the assistance we got from the federal government to design it and fund it. Thanks goes to TSA and our congressional delegation for their help.

You are all invited to see the new airport at a grand opening celebration in late June. Then I hope you all will join me in a community-wide effort to restore flights and rebuild passenger levels that have been hit hard by the recession and construction. Fly San José!

As we look further into the future several other major transportation improvements are moving ahead with great benefits for San José:

Projects to rebuild the Highway 280/880 interchange and improve 101 through San José are moving ahead. We have secured over \$100 million in new funding from the Metropolitan Transportation Commission, thank you Ken Yeager, Dave Cortese and Dean Chu, the California Transportation Commission, thank you Carl Guardino, and the American Recovery and Reinvestment Act, thank you Mike Honda, Zoe Lofgren, Diane Feinstein and Barbara Boxer.

We're also moving ahead on extending BART through San José to Santa Clara, connecting San José to San Francisco and Southern California via High Speed Rail, and connecting the airport to our transit systems with an Automated Transit Network. Downtown San José will have a vibrant transportation hub, connecting multiple transportation networks to HP Pavilion, downtown restaurants and businesses, and a new major league ballpark.

Creating a Vibrant City

That's the kind of vibrant city our creative, talented, hard working residents want – a city with lots of arts, culture, sports and entertainment activities.

This year we'll complete the renovation of the historic Civic Auditorium, bringing more live music to Downtown. The San José Earthquakes just broke ground on new practice fields, and construction is underway on an exciting new urban market at San Pedro Square.

Happy Hollow Park and Zoo reopens next month – I can't wait to take my grandson to ride Danny the Dragon.

This year, we'll begin expanding and renovating the McEnery Convention Center.

And, I predict, that we'll get voter approval to move ahead with a major league baseball stadium in San José. Go San José A's!

Looking to the Future

Good things will happen this year, but we also need to look many years out into the future.

The children from Horace Mann School who you saw in the video earlier represent all of our children and grand children.

Their dreams and aspirations depend on us. We hold this city in trust for them. We have had great blessings in this land of freedom and opportunity because of the work of our predecessors. What kind of city will we leave for our children?

I pledge to leave for our children and our grandchildren:

A city that is a beacon of peace and prosperity that demonstrates to the world what happens when people from around the world come together and focus on what they have in common;

A city that is the world's center of innovation, where the world's most innovative companies create jobs, wealth and products that improve the lives of ordinary people;

A city that has great neighborhoods that provide safety and a sense of community;

A city with great schools that make it possible for all children to achieve their potential, no matter their race, ethnicity, religion or economic status;

A city that protects its environment, preserves its open spaces, and shows the world how to be sustainable, while continuing to provide jobs and housing for all its people so that homelessness is a relic of the past;

A city that is honest, open and fiscally sound – a city we can be proud of.

I know this is a bold pledge to make in these tough times, especially as we cope with challenges that may appear to be overwhelming, but I ask you all to join me and make a personal commitment to a better future through your best efforts, no matter how tough the times may be.

As President Abraham Lincoln said in the depths of the greatest challenge our country has ever faced: “I do the best I know how – the very best I can; and I mean to keep on doing so until the end.”

Ladies and Gentlemen, I ask you to join me in this pledge.

The children of San José – our children and our grandchildren – deserve no less.