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**San José Mayor Chuck Reed Delivers
2010 State of the City Address
*Focuses on Rebuilding Economy, Creating Jobs,
Closing Budget Gaps, and Improving Public Safety***

San José, Calif. –With the theme “Building a Foundation for the Future” for his fourth State of the City Address, San José Mayor Chuck Reed stuck to the basics that have defined his administration – the budget, economy and job creation, and public safety.

“Four years ago, I set a new direction for San José government, one based on honesty, fiscal responsibility, and open government,” Mayor Reed said. More than 90 ethical, fiscal, and open government reforms have been implemented, and San José has implemented a community-based budget process as it works toward eliminating its long-term structural budget deficit.

“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,” the Mayor said. “To some, it seems that after nine years of coping with annual shortfalls, we are at the end of our rope. 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.’”

Budget Shortfall

Hit hard by the global recession and declining revenues, San José faces a budget shortfall of approximately \$100 million in the fiscal year that begins July 1, 2010 – more than the entire budget for parks, libraries, community centers, and recreation programs combined. Factors impacting the budget include:

- Expenses have increased faster than revenues (the average cost per employee increased 64 percent since 2000, while city revenues increased only 18 percent);
- Sales and property taxes have declined;
- New fire stations, libraries and community centers – funded by voter-approved construction bonds – have added \$28 million in ongoing costs for staffing and maintenance;
- The City is solely responsible for pension fund losses – about \$40 million per year;
- The State of California has taken more than \$500 million over the past 12 years, including \$75 million in Redevelopment funds in 2010, with an ongoing annual take of \$45 million a year.

Mayor Reed called on employee unions to work with the city administration to reduce employee costs. In November, the Council directed the City Manager to negotiate a five-percent reduction in the average cost per employee and to negotiate a reduction in retirement benefits for all new employees. “It’s clear now that 5 percent is not enough,” Mayor Reed said. “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.”

The Council has considered placing new revenue measures on the June or November ballot, but the Mayor cautioned, “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.”

The best opportunity for increasing revenues remains economic development, Mayor Reed said.

Economic Development

“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?” Mayor Reed asked.

“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.”

To compete in the global marketplace, the Mayor urged political, business, and community leaders to:

- “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 do so.” Since taking office, Mayor Reed has personally met with more than 150 Silicon Valley CEOs to share that message.
- Work at the speed of business. “Many CEOs say that meeting their company’s expansion timeline is the most important incentive we can provide,” Mayor Reed said.
- Focus redevelopment funds on generating revenues and jobs.
- Join with Silicon Valley companies to ensure that federal and state regulations don’t penalize innovation, increase the cost of creating jobs, or make it harder to compete globally.
- Continue to attract and retain creative, talented, and entrepreneurial people. “To do that, we must protect and preserve our environment, build an efficient transportation system, and provide safe neighborhoods with good schools,” Mayor Reed said.

Safe Neighborhoods with Good Schools

Mayor Reed thanked the community and San José police and firefighters for working together to keep San José one of the nation’s safest big cities, collaboration that has had results in recent years – reducing the number of homicides (including a drop in gang homicides), taking violent gangs off the streets, and moving young people onto positive paths through the Mayor’s Gang Prevention Task Force.

“Preventing crimes, solving crimes, and getting violent criminals off our streets are community efforts,” he said. “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 every day. ... 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."

The Mayor stressed that a safe community goes beyond policing and community programs, and urged residents, community and business leaders to get involved with efforts to overhaul the education system and provide a brighter future for all of San José's young people.

"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."

He continued, "That's why we are implementing the San Jose 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."

Pledge for the Future

Mayor Reed's speech opened with a video featuring first and second grade students from Horace Mann Elementary School who were asked what they like about San José, what they would do if they were Mayor of San José, and what their hopes are for the future of San José.

The Mayor closed his speech, stating that the Horace Mann children, "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."

He asked the audience to join with him in making a pledge for the children of San José:

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.



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“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,” Mayor Reed said. “The children of San José deserve no less.”

In addition to the State of the City Address, the event recognized Community Honorees from each City Council District and honored city employees with the Pride of San José awards. Emcees were Jennifer Andaluz, Executive Director of Downtown College Preparatory, and Manny Barbara, Vice President of Silicon Valley Education Foundation and retired Superintendent, Oak Grove School District. Mayor Reed was introduced by Lew Wolff, CEO of Wolff Urban Development and owner of the San José Earthquakes and Oakland Athletics.

The address was carried live on San José Civic Center TV (Channel 26) and webstreamed at www.sanjoseca.gov. Civic Center TV will rebroadcast on February 18 through February 21 at 5 p.m., 8 p.m. and 11 p.m.

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