

Minutes of Regular Meeting
Board of Directors
San Jose Downtown Property Owners' Association

May 13, 2008

A regular meeting of the Board of Directors of the San Jose Downtown Property Owners' Association, a non-profit California corporation, was held at the SJDA office, 28 N. First St., Suite 1000, San Jose, CA 95113.

Board members present: Hammers, Berg, Munro (via teleconference), Ortbal, Gallagher, Mattson, Isnard and Utic.

Board Members absent: Knox, Shadman, Ryan.

Also present were Executive Director Scott Knies, Deputy Director Blage Zelalich and Operations Manager Eric Hon.

Hammers called the meeting to order at 8:35 a.m.

Minutes

- The minutes of the April 15, 2008 meeting distributed via email were approved.

President's Report

- Hammers asked Ortbal if he was able to clarify the question regarding how the addition of new buildings within the district would impact the current property owner assessments. Ortbal stated that the new buildings would be assessed like the current properties and the amount of assessments within the district would increase accordingly.

Contractual relationships (SGI & SJDA)

- Zelalich informed the board that the latest revisions have been forwarded to SGI for review. SGI's main point of contention was liquidated damages and following the board's direction, staff left this concept intact. At the International Downtown Association (IDA) conference, Knies had the opportunity to discuss the contract issues with SGI. SGI asked if they would have a chance to respond to concerns that might cause liquidated damage claims in advance. Both parties agreed that SGI will have 48 hours to respond to any claims before fines are assessed. Ortbal asked if there were any instances where a response from SGI was not needed to realize liquidated damages? Zelalich said there are certain performance standards that must be maintained as per the contract with SGI, otherwise liquidated damages would go into effect without any response from SGI.

Finance Committee

- Ortbal informed the board that the PBID Annual Report will go to the City Council in June.
- Mattson provided updates from the Finance committee meeting on May 6. The committee recommended increasing the property assessments by three percent. Recognizing that expenses will increase, the committee agreed that raising the assessment was necessary. The committee felt that the increase should be consistent with anticipated increases in living and prevailing wage, although five percent is allowed by the management plan. The SGI contract has a built in escalator clause.
- Isnard suggested the board consider the five percent increase because expenses will continue to increase and it may be impossible to keep pace on the revenue side.
- Knies referred the board to the FY 2008-09 budget, which shows a one percent growth on property and a three percent increase on assessments. He also stated we do not know how many properties will be added, so one percent growth is conservative. The extra revenue generated from new properties will go into the beautification line item on the budget.

- Hammers said the biggest expense increases are always wage related. Ortbal stated the contract with SGI caps wage increases by using the Consumer Price Index as the determining factor, which is advantageous for the PBID.
- Hammers followed by stating that the baseline money from the City is the other major variable because this money is not guaranteed. Ortbal countered that it may not be guaranteed, but the funds have to be appropriated and is in next year's budget.
- Berg was concerned about the amount of money available for capital improvements. He wanted to know how much is available before deciding on the three or five percent increase? Knies explained that the FY 2007-08 capital improvement funds will be rolled over to FY 2008-09. As the district grows, potential additional revenue will flow to capital improvements because the management is a fixed percentage and the other (SGI) expenses are set by contract.
- Ortbal asked for clarification on the FY 2007-08 capital improvement line item. Knies explained the proposed carryover amount from FY 2007-08 to FY 2008-09.
- Isnard stated that the PBID income appears to be fixed. Hammers added the PBID does not have many fixed liabilities either. All the liabilities are tied to contracts, so the possibility of the budget getting out of control is minimal.
- Ortbal asked what the biggest risk was? Knies said the baseline funds are the biggest risk. Ortbal then asked if five percent is a reasonable fund balance? Hammers stated the five percent equals four months of baseline funds should the funds be pulled.
- Utic motioned to increase property assessments by five percent. The motion was seconded. Hammers asked Munro for his thoughts. Munro said he was comfortable with a five percent increase because the PBID has done well and this is an opportunity to provide additional resources for the capital improvements and beautification. Lastly, there is time to inform property owners via electronic communication.
- Ortbal said the City Council must approve any increase before it goes to the County's tax rolls. The PBID must explain the justification to the Council.
- The board unanimously approved the motion to increase assessments for fiscal year 2008-09 by five percent.

Capital Improvement update

- Hon updated the board on the Streetscape Beautification Request for Qualifications (RFQ) process. An RFQ was sent out April 29 and responses were due May 16. The Capital Improvement subcommittee will meet on May 29 to determine the finalists and submit a full proposal.
- Zelalich said staff will email the committee with a matrix that summarizes all the Statements of Qualifications. She also asked if any other board members were interested in participating in the process? Utic and Berg asked to be included.
- Ortbal reminded the group to sign the conflict of interest statement.
- Munro asked if the RFQ included a timeline? Knies said the timeline was outlined in the RFQ.

Operations Manager Report (included in Board packet)

- Hon gave his operations report. SGI has decided to reassign their program manager for the San Jose account. After consulting with SJDA and much consideration, it was determined that the program manager was not a good fit for this account. SGI's first move was to hire a regional Vice President who will oversee the transition and evaluate the current program. The new VP will look at all phases of the program, but will focus heavily on deployment, training and administration. Once these elements are in place, the VP will focus on hiring a new program manager. There is currently no timetable for the hiring of a new program manager because SGI is determined to improve the program first.
- Having participated in the quarterly training for Groundwerx, Hon identified the need for some follow up training. Homeless outreach will be stressed and a representative from the county supervisor's office will provide additional resources and training.

- Munro asked on the status of obtaining ashtrays in the PBID. Hon replied that he is still reviewing the materials forwarded to him and figuring out the costs.
- Berg recommended "heavy duty" ashtrays that can be bolted down.
- Hammers suggested the Capital Improvement subcommittee identify the type of receptacle to use and recommend a location to test.

Other Matters

- Hammers asked the finance committee to think about billing for some Groundwerx services. Hammers suggested charging 25% for commercial services and a reduced rate for work with nonprofits and other similar community organizations.
- Knies mentioned the work performed at Horace Mann was a "good will" gesture to our community neighbors.
- Zelalich asked for clarification about the Capital Improvement Subcommittee making the RFQ finalist selection. The board agreed that the committee can select the finalists.

Meeting adjourned at 10:05 a.m.