

Oakland among cities scrambling for share of \$700 billion federal bailout package

By John Woolfolk

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As cities around the United States start to scramble for a share of the \$700 billion federal bailout package, San Jose Mayor Chuck Reed said Friday he's working with leaders of other large California cities, including Oakland, to make sure they're not left behind.

The stimulus package Congress passed last month wasn't designed to dole out money to local governments, so it's far from clear whether San Jose will get a piece. But with \$1.6 billion in unfunded retiree health care obligations, plus \$500 million worth of local and regional road work to be done and the \$750 million price tag to bring BART to the South Bay, Reed noted the city has a full slate of needs.

Paul Rose, Oakland Mayor Ron Dellums' spokesman, confirmed that Oakland is part of the group working with San Jose.

"The mayor is working with these mayors to determine what sort of projects will benefit our cities, and we will work with our federal partners to identify the projects and try to identify financing," he said.

After meeting Friday with Gov. Arnold Schwarzenegger and other California mayors to discuss budget issues, Reed said the state's mayors plan to present their own bailout wish-list through the governor soon, after Schwarzenegger finishes dealing with the state budget meltdown.

Reed created a minor furor Friday when he told an Associated Press reporter he would seek 2 percent of the bailout, or \$14 billion, for San Jose — an eye-popping figure, given

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that the city's entire annual budget is \$3.3 billion. Reed later told MediaNews that his remark was "off the cuff" and based on the fact that the city contributes more than 2 percent of the nation's gross domestic product.

"It's just a number I can do in my head," he added.

But he wasn't entirely kidding. Especially after the city manager reported Friday that, thanks to the sinking stock market, San Jose's pension funds are down \$950 million since June 30, when they were valued at about \$4.3 billion. Without a market turnaround in coming months, that would increase the city's costs to cover pension benefits.

Treasury Secretary Henry Paulson noted earlier this week that the bailout was intended "to stabilize financial institutions and strengthen the financial system" rather than prop up local governments. But that hasn't stopped elected leaders from lining up.

On Friday, the mayors of Phoenix, Atlanta and Philadelphia sent Paulson a letter asking for a combined \$50 billion or more in loans to cover pension costs or investment in infrastructure. They also asked for one-year loans to cities unable to borrow cash because of the tight credit markets.

Reed later clarified that while he wasn't planning to ask for a piece of the \$700 billion, he would "work to ensure that San Jose is allotted its fair share" if federal money does become available to cities.

He also noted that the U.S. Conference of Mayors is planning to submit its own list of ways the stimulus could help them.

Aside from the bailout, groups representing the nation's mayors and governors Thursday asked Congress to jump-start the economy by increasing food stamp payments, extending unemployment insurance and raising funding for Medicaid. President-elect Barack Obama has called for unspecified aid to state and local governments to keep them from having to raise taxes or cut jobs while the federal government tries to revive the economy.

Reed said details on what San Jose will request, and when that request would be submitted, have yet to be worked out. But he's setting his sights high.

"I do believe that an investment of 2 percent of such a stimulus package in San Jose, the nation's 10th largest city and innovation capital, would not only be fair but pragmatic," he said in a statement late Friday.

In an interview with MediaNews, Reed added: "With my limited experience dealing with the federal government, they don't usually deliver as much as you hoped for."