

Mayor Herb W. Bergson's State of the City Address

January 8, 2007

Good evening. Thank you for your kind welcome. I stand before you tonight for the fourth time to give an account of the state of our city.

For the last year, a great deal of attention has been focused on one particular aspect of city government – the labor negotiations currently underway with city labor unions. That's an important story, and the situation has been well chronicled.

That's far from the only thing that matters to a growing and healthy city. Yes, it's important and I'll be speaking about it tonight, but there's more to Duluth than labor negotiations and health care problems.

Through the length of my term we have addressed issues vital to our community and solved many of them. Others remain to be fixed.

We've spent a great deal of time dealing with the retiree health care obligation we face, and we've spent a lot of time dealing with the financial aspects of that problem. We have no greater priority as a city. It has been well documented that we are working very hard on this issue. I have already met with our new State Auditor, Rebecca Otto, and Minnesota's Legislative leadership to brief them on what must be done.

Our priorities in St. Paul over the next few months will be many: first and foremost, getting the legislation passed that allows money dedicated to solving the retiree health care problem to be placed in an irrevocable trust with the State Board of Investments.

We will also seek to place our Community Investment Trust dollars with the SBI, to take advantage of the potential for better interest rates. We also have unfinished business with the DECC expansion. I fully expect to see legislative approval for the \$70 million expansion in 2007.

Our political landscape has improved as well with the change of Congressional chairmanships in Washington. Representative Jim Oberstar will chair the Transportation Committee and

Representative Dave Obey will be the ranking member on the Appropriations Committee. The Duluth/Superior region will have great clout.

As for negotiations, no one said they would be easy. Negotiations with our unions have been lengthy but I believe they have been conducted in good faith and in a spirit of cooperation. Our supervisors came to the table first, and reached a fair agreement with the City. We have recently worked out tentative agreements with our Police, Fire and Confidential unions. We will continue to work toward reaching an agreement with AFSCME.

We're working hard on enacting the task force recommendations and completed two important parts of our own tasks just last week. Thanks to Erik Simonson, chair of the Labor-Management Health Insurance Committee, I am happy to announce we have started the audit of our employee health insurance records to make sure we are saving as much money as possible. This task is estimated to save \$160,000 per year. We are also installing new software in our Human Resources office which will help manage the system and provide greater efficiencies.

We are committed to finding a solution that is fair to our employees and affordable for the taxpayers of the City of Duluth. It's certainly more than appropriate at this time to thank our City employees for the outstanding job they do each and every day on behalf of our citizens.

They really have had to do "more with less", and this past year was certainly no exception. Our full-time employee count is down by nearly thirty more employees from this time last year. Our employees have picked up the slack, and I can't stress enough how important that is. They all deserve our thanks.

While retiree healthcare is an important issue, we cannot lose sight of the other accomplishments we must realize to grow as a city. We need to continue to make Duluth a great place to do business, so we can keep attracting good jobs which will allow us to retain more of our young people.

In terms of business expansion we are also doing well. The latest addition to Northstar Aerospace is well under way. When that project is completed, and all potential is realized, the company hopes to double its current employee total of 90. Cirrus Design continues to grow, continues to sell record-breaking numbers of airplanes and continues to provide great jobs for our

citizens. Cirrus hopes to add another 250 jobs to their workforce from 2005's numbers when their expansion is done, bringing them to over 850 employed.

Last week's announcement of Midwest Airlines beginning service to Milwaukee is also most welcome. I want to thank Brian Ryks and the Airport Authority, APEX, Duluth city staff and Superior Mayor David Ross for working together to make that relocation reality. A growing community must be accessible to people and we are – over the water, on the road and through the air.

I expect even more growth in the aviation industry. Look for significant positive change in perimeter industry that will be good news for Duluth.

We need to keep our downtown vibrant and growing. A&L Properties is set to embark on a new project in the Old Downtown area, bringing 120 construction jobs and 200-300 permanent retail jobs upon completion. The new Sheraton Hotel downtown, which is nearing completion, is another new development that will change our city for the better. The hotel construction has provided 150 jobs for the last 15 months, and the city's parking ramp employed 48 FTE's for 14 months.

Work continues on the new Canal Park Lodge, replacing the former Canal Park Inn. That project will employ 100 construction workers and 30 permanent workers once the project is done. It will give Duluth, and the Canal Park area, one more state-of-the-art facility to meet the needs of visitors.

Speaking of parking ramps, we have made some cost saving changes at our ramps in 2006. Those of you who have used the ramps have noticed the new pay-on-foot systems. By having pay-on-foot at the medical district ramp and the tech village ramp, we have saved more than \$200,000 per year in operating costs and increased revenues by as much as \$30,000 per ramp. All this without laying off even one person.

In 2007, we are implementing a new "parking enterprise fund." It will show us how financially stable our parking ramps and meters are in Duluth. We will send a resolution to the City Council to this effect later this month.

We need to expand our tourism industry, which has already proven to be a powerhouse. Tremendous growth in the collection of hotel/motel and food and beverages taxes show how Duluth continues to prove it is receiving good reviews as a destination. Growth of \$300,000 in revenue in 2006 and record season ticket sales in 2007 prove that Renee Mattson is a force to be reckoned with at Spirit Mountain.

Terry Mattson and Visit Duluth continue to prove that if they are spending their time attracting events instead of campaigning for funding, they can be very successful. Their success also underscores the importance of passenger rail service from the Twin Cities to Lakeside and beyond, to Two Harbors.

Minneapolis Mayor R.T. Rybak has also expressed his strong support for passenger rail service, saying the proposed Northstar line will “reconnect the heart of Minnesota and you can count on me to ride the rails to Duluth.”

Significant growth in the food and entertainment industries in our downtown gives me great hope that we will soon see the downtown vibrant once again. A new space for Renegade Theater, ethnic bars and restaurants and new living spaces highlight this growth.

We will work to resolve the aquarium confusion that has continued to haunt Duluth. It has been four years since a special Task Force completed its study on the Great Lakes Aquarium and provided the city with recommendations for enhancing its operation and securing its long-term sustainability. It was a monumental effort that resulted in the development of some very creative options within a thorough list of comprehensive suggestions.

Four years have since passed, and I believe it is once again time to assess our effectiveness in fully benefiting from that effort.

I have therefore asked a new group of local citizens to take a fresh look at the Great Lakes Aquarium. A Blue Ribbon Mission Assessment Team will be chaired by Jack LaVoy of APEX with the support of Ken Buehler, Marti Buscaglia, Mark Emmel, Ken Gilbertson, Elaine Hansen, Cindy Hayden, Wayne Hibbard, Harold Frederick and Dennis Lamkin.

It will be their task to make an in-depth assessment of the aquarium's current status while thoroughly evaluating any and all reasonable options for enhancing its long-term viability and optimizing its ongoing benefit to our community.

The progress made in the Heritage Hockey Center project has been remarkable. Two sheets of ice will replace one. A new hotel will offer another option for those coming here for tournaments and games. Duluth will have reclaimed its place as the hockey capital of Minnesota with a facility worthy of the sport's tradition. It will be the envy of the State of Hockey.

Construction of new classroom and meeting space that includes the Swenson Science Center and the Labovitz School of Business at UMD and the expansion at Lake Superior College show the continued momentum and faith in our industries of higher education in Duluth.

We need to keep planning our future growth, and we have made major steps in that area over the last twelve months. Last year we finished the Comprehensive Plan, and now we have a solid framework upon which to build. We will begin our efforts by instituting a form-based code, which will allow for more streamlined planning even as we continue to seek input from stakeholders and citizens. There is money budgeted for this process in the 2007 budget.

We also completed the East Hillside, Downtown and Waterfront Charrette planning process. This specialized planning process came up with recommendations we are working to make reality with our Charrette steering group.

Spirit Valley is the envy of every business district in the city. A rebuilt Grand Avenue and Central Avenue, complete with a brand-new Streetscape have re-energized the whole neighborhood. A new police sub-station will open soon, and we will reduce response time to better serve the needs of our western citizens who rely on police service. We are seeing private investments taking root as the city reinvests in infrastructure there. I applaud the energy and efforts of SVCNDA Executive Director Kris Ridgewell, Congressman Jim Oberstar, and City Councilor Russ Stover for their boundless energy and tireless work on these completed projects.

For over two years, a group of dedicated people have been working to bring another very important project home to our citizens. Last month the City Council voted to allocate \$7.2 million from the Community Investment Trust toward City access to a new Ray and Joan Kroc

Corps Community Center. This \$50 million project will help our neediest citizens while helping us provide recreation opportunities for all.

One of the best features of the project is the \$30 million endowment fund that will earn in excess of \$1.5 million per year and pay for an additional 30-plus jobs at the site. The endowment fund will always be there and will be even more productive as it grows in size.

There will also be a new “Miracle League” field built next to the Kroc Center, funded by private donations and with help from the Minnesota Twins. This special cushioned synthetic field will provide children and adults with physical and mental challenges a chance to play baseball.

This project has been a long time in the making and I commend the City Council for its actions on this project. Many of our community leaders, including Jen Paulucci and Al Netland, deserve our thanks for starting a project that is now about to come to fruition.

Living conditions are improving for those who have fallen victim to landlords who refuse to provide livable conditions for families who deserve better. Most of our landlords are solid and fair, but a small number have cheated our families who live on limited means. This cannot and will not be tolerated. We will continue to monitor substandard living conditions in rental properties. Our rental tours will continue in 2007.

We will also continue working to keep Duluth a safe place for all people to live, work, and raise families. Our new Police Chief, Gordon Ramsay, has already received rave reviews for his commitment to community policing. We are putting officers back on the streets, adding community officers, and creating a Neighborhood Impact Team to work in partnership with residents, businesses, landlords and community groups to lower crime and increase the quality of life in problem areas.

Just recently our Police Department made headlines with its cooperative effort with Federal and regional officers for breaking up a group of repeat criminals who were persistently disrupting a neighborhood. We will continue to use these and similar cooperative efforts to ensure that a small group of criminals will not be allowed to poison our city and jeopardize our way of life.

We assure our citizens of color that the Police Department will work diligently to build and strengthen relationships with them. We will hold a summit on racism and diversity on Saturday, February 10 at the Central Hillside Community Center. Also in 2007, we will have a citizen's police academy specifically for our citizens of color. We'll establish neighborhood advisory boards where officers will meet with people of color on a regular and informal basis to talk about the direction of the police department. We will also continue working with the People's Institute on Undoing Racism. This is all part of our commitment to continue to build trust with our citizens.

I urge our citizens to take advantage of the services offered by our Human Rights Office and commend Meg Bye for finding the money needed to keep this important office serving citizens in 2007. The Clayton-Jackson-McGhie Memorial contains a quote from Albert Einstein which says, "The world is a dangerous place, not because of those who do evil, but because of those who look and do nothing." The means are in place for us to stop "doing nothing". Let's use them.

Meanwhile, our crime statistics show there is reason for optimism. Duluth is a safer place. How many of us remember that four years ago there were seven homicides in Duluth? Any homicide is too many so we will continue our vigilance on our streets and ask our citizens to work with their community officers.

We have initiated a new system to track the calls our police department receives so not all the 2006 statistics are available as yet, but most types of violent crime such as sexual assaults and burglaries are down over the last two years.

We also need to take care of our city, and we need to take care of the environment in which we all live, so our children and grandchildren can inherit an unspoiled Duluth that still shines with natural beauty.

This year Duluth became one of only ten cities in the United States to become an eco-municipality. We worked with the Climate Trust to provide energy efficiency upgrades to the Duluth Steam Plant, which will cut its emissions by 20 percent. A \$1 million award to the City of Duluth and Johnson Controls from the Climate Trust will help pay for over \$4 million of improvements to the facility – and taxpayers won't pay a dime. I thank our Cities for Climate Protection coordinator Sandy Sweeney for spearheading this effort.

Unfortunately for the City, Sandy retired last month. However, to continue his good work, we will create an Office for Environmental Sustainability in 2007. This office will be responsible for coordinating all aspects of sustainability, energy management and eco-development as well as administering our Cities for Climate Protection program.

Three years ago, we formed an eco-industry task force chaired by Dr. Ralph Loomis. What has come out of that group is the Committee on Eco-Industrial Development, or CEID. Their progress is landmark and communities all over the country are looking at the Twin Ports CEID model as the newest innovation in economic development – while we also protect our environment.

Pledges of financial support have come from Duluth, Superior and Douglas County and that list continues to grow. This year we will seek state support from both Minnesota and Wisconsin. Economic growth through sustainable means is the wave of the future and Duluth/Superior's model will be the envy of many cities across the country.

We also took a significant step toward protecting the Great Lakes through the Great Lakes Mayor's Initiative. Tougher laws that promote restoration of water quality help us all. I also want to thank Admiral Crowley and our Captain of the Port, Commander Croot of the United States Coast Guard. Their need for practice exercises, which I support, will no longer compromise the water quality of Lake Superior.

Our lake is great, but it will never be the same after the passing of two of its greatest friends in Jim Marshall of Lake Superior Magazine and Ray Skelton of the Seaway Port Authority. They will be missed.

We will begin to take care of our city's legacy in 2007. The Duluth Legacy Endowment Fund will make its first disbursements in 2007. An Advisory Board has been set up to take grant applications in arts and culture, beautification, economic development, education, the environment, human services and parks and recreation. I thank the Duluth-Superior Area Community Foundation for its effort and assistance with the Legacy Fund.

Everyone knows Duluth is a great place to visit, but we've made it a priority to make it a great place to live as well – for everyone. That's why I am so excited about several projects that illustrate our desire to make Duluth a welcoming place.

I'll begin with the Campus Park project. I would like to publicly commend and thank Mark Lambert at this time.

Mark has responded to every neighborhood question and concern he's ever been asked about his development. He has worked positively with everyone, but most importantly, he has built an absolutely incredible complex for college students on Rice Lake Road. If you haven't seen it, you should. He's done a great job in Duluth and I thank him.

Mark's project has done a great deal to help the college housing situation in town, encouraging migration back to student housing and out of the traditional family neighborhoods. We have also made great strides in helping low and moderate income Duluthians find good housing.

Village Place is now open for business near the hospital district. It is truly a place for everyone – affordable housing and efficiencies are placed comfortably with upscale larger apartments in a part of town that needs the type of quality housing Bruce Wyman, Scott Vesterstein and their staff provide.

Up the hill, the Matterhorn Development is another part of the HOPE-VI project that is nearing completion. This is an attempt to give low and moderate income Duluthians better access to job opportunities and access to public transportation in the mall area. Helping provide opportunities for our citizens to better themselves just makes good sense, and we are seeing how good sense meets good policy in that development.

The Harbor Highlands project has also played a key role in increasing housing opportunities for those who need them the most. These are direct replacements for existing HUD housing and the upgrade is most welcome. Ground will break this spring on Phase 2 of a three-phase project.

The San Marco project is also nearing completion. When it is finished we will have provided a place for people in need of special help. It can be said that a community is judged by the way it treats all its citizens. I believe projects like these show Duluth is doing a much better job than

ever before in taking care of those with fewer resources and greater needs. The project will also save city and county taxpayers nearly \$2 million a year on service fees and staff time.

The Bridgeman Russell renovation is complete and it is one of the most remarkable examples yet of how great housing can be provided in the context of historic preservation. A part of town that prides itself on its historic look now has a new development that will help revitalize that area of the city.

New condos are also nearly complete in the Superior Vista development on Skyline Drive. These new buildings also provide upscale housing in a part of Duluth where the view is unequalled. Seth Oliver has completed condos in the old Duluth Water and Gas building that features a green roof in yet another great place to live downtown. The Lester River Condo project is another great effort that will continue our pattern of housing growth.

Truly, construction is key to our efforts to improve Duluth. These projects, and the construction jobs, spinoff businesses and economic benefits we know they provide, cannot and must not be underestimated. In the last three years we have seen over 1,000 new single family homes and family units built in Duluth, with over 25,500 permits issued.

According to the Office of Building Safety, we've seen increases in the number of site improvement permits increase as well, as part of just over \$491 million in total estimated construction in those three years. \$491 million dollars! The value of all permits – including electrical, mechanical, plumbing, and so on – is a staggering \$592 million in the last three years alone. These figures don't even include the Heritage Center, the Kroc Center, or the DECC expansion.

Low and moderate income housing provides a substantial portion of that economic benefit to the city. That has now been proven as fact. Not only have we provided jobs for construction of these new living units, we have reduced the number of homeless people living in Duluth and the surrounding region. We will continue to work with Grand Rapids on their homeless shelter, called Grace House. It will be the first shelter of its kind anywhere in Itasca County.

However, new facilities don't mean much without people to work in them. That's why the City is supporting a new initiative called The Northland Works. Over 75,000 jobs are expected to open

over the next ten years in our region, most through the retirement of baby boomers. This will offer unprecedented opportunities both for our young students to stay at home and for those who may have left to return. Thenorthlandworks.org website is the place to learn about current hot jobs, future hot jobs and searchable links in nine major employment categories.

So in a time of what some people see as stagnation, it is really the exact opposite of stagnation we're seeing. We're building. We're growing. And we're re-evaluating. We are seeing the fruits of our growth even now.

We have a new management agreement in place for Bayfront Festival Park. We know Craig Samborski well, we know he'll do a good job, and we know he'll bring bigger and better quality acts to Duluth's most popular location.

We also saw our public golf courses turn a profit for the first time ever. The new management plan we implemented worked, and there is no longer budgetary pressure on the city to subsidize an expensive golf program. We experienced record revenues at city courses in 2006.

In the fall of 2007, I will propose that the city council authorize the demolition of the Enger Park clubhouse. I will further recommend the construction of a new clubhouse, which will be available for golf and non-golf events, making it even more profitable in coming years.

We will also recommend an addition and upgrade to the Lester Park clubhouse to help it keep pace with its expanding needs. I applaud the efforts of our golf team including Steve Anderson, Paul Schintz, Jud Crist, Jeff Anderson and Parks Director Carl Seehus.

A different kind of golf – disc golf – is also increasing in popularity. We are examining the possibility of designing a new course on City-owned land near Lake Superior College.

I have a special announcement this evening. Alessandro Giuliani, developer of the Heritage Hockey Center project, has agreed to build a covered soccer facility, which will help the world's most popular sport continue to grow right here in Duluth.

We're committed to the health of our citizens as well. Tonight I'm announcing our support for the Governor's "Fit City" program, which recognizes Minnesota cities committed to creating and

maintaining a city environment supportive of active living. The benefits of such activity are well known and in a city with our natural capacity for outdoor activity, it's a natural fit.

We will also continue work on one of my earliest priorities as mayor. In consultation with Animal Allies and Executive Director Jim Williams, we will start work on a new animal shelter in 2007, to be jointly used by the City and Animal Allies.

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In August we celebrated the 150th anniversary of our city's founding by opening a fifty-year-old time capsule. Citizens in attendance dressed in the styles of fifty years ago. Our Centennial Queen came from Silver Bay to be a part of the special event. Fred Lewis, who chaired the Duluth Centennial Committee, was there. Skip Humphrey, son of the late Senator Hubert Humphrey, was there as well.

We opened and read several fifty-year old letters. It was immediately apparent to all of us that there was a great sense of community pride in 1956.

There was no partisanship. There was no criticism. There was simply a desire to make Duluth a better place to live. I want to share a few of the words in Chairman Lewis' letter that were very appropriate then and are even more appropriate today:

When this message is read in the year 2006 and here today, we shall have long since put into your hands the privilege and responsibility of keeping Duluth an ever-growing, ever prosperous city, Our combined efforts in making this Centennial Year have proved that Duluth is no longer a community made up of small communities where rivalry and distrust exist. We have proved that we are a united city, that citizens of Duluth are neighbors in the true sense of that heart-warming word; that we can work and play together in harmony and mutual respect. It is our sincere wish that we have established a precedent for community harmony that will last as long as Duluth stands; that the folks who live in Fond du Lac look upon the folks who live in Lester Park and beyond, as neighbors, separated only by distance, not by competition or personal community factions.

Clearly, Duluth does not lack for passion, nor for those who care deeply about our community. But the last item in this address will be a challenge.

I believe we're on the verge of very positive times in our city. The progress we're making on every front – including negotiations – should be real reason for optimism.

To that end, I challenge everyone in this room and everyone who hears or reads these words in the media to examine their attitudes. I would like Duluth to “work together with mutual respect,” as Fred Lewis said fifty years ago.

Sometimes, we spend time examining negatives instead of the positive things Fred Lewis talked about. Surely we can disagree – democratic government, in fact, depends on our ability to disagree in a fair manner – but too often those disagreements turn personal in nature and that helps no one, least of all our city.

I am constantly amazed at how some people who regularly talk down the name of our city are people who live here. We walk a thin line – we all want Duluth to be a better place, but at the same time give everyone a voice so that no opinion is unheard.

Over the past three years we have had almost a half a billion dollars in construction in Duluth, yet I hear people say “Duluth is anti-business.” If Duluth is “anti-business”, why are developers spending so much money here? If Duluth is anti-business, why did Minnesota DEED grant Duluth over \$4.5 million for economic development projects last year?

We can't succeed when our desire to make Duluth better melts down into single-issue, my-way-or-the-highway politics. We are doomed before we start if that is our modus operandi.

Next spring we will bury a new time capsule. We plan to include many of the same types of items our community leaders included in 1956 – letters from leaders, artifacts from Duluth which will show those fifty years from now what we are like today – but at the same time, I would like us to use this event to rededicate the kind of community spirit we saw then – and can still see today.

The lesson we should learn from the time capsule is to take back what we lost. If we are to keep growing, we must realize that every desire to help Duluth should come from a positive outlook, not a negative one.

Mayor Eugene Lambert, writing in 1956, summarizes this philosophy in these words;

A brief study of what has happened in the last fifty years would seem to indicate that the prime difficulty in anticipating what will happen in the next fifty years is a tendency to be pessimistic rather than optimistic. I feel certain that if those who preceded me had attempted in 1906 to predict what we have today, they would have fallen far short of the mark.

What mark will we set for the future? Will we be pessimists, or will we be optimists? Our physical community and our sense of community are unchanged from fifty years ago. But if we want to hand a growing Duluth to our grandchildren fifty years from now, our duty is clear. We must be positive about our city.

I believe we can do it. I choose to be optimistic rather than pessimistic and I call upon all of you to think the same way. Together – but only together – we can do it, and once again reach Mayor Lambert’s mark of fifty years ago.

Mayor Lambert, in his closing comments, hoped that today’s Duluth would “be proud of what we have done.” My hope is the same – that Duluth fifty years from now will look back on a crossroads moment in the history of our city and be proud of the result.

My friends, it is time to decide, right here, right now. Our city’s engine needs to be firing on all cylinders. Our future is as bright as we decide to make it. We control our destiny, and it’s time to live up to our vast potential. Let’s make it happen. Thank you.