

Mayor Don Ness' 2009 State of the City Address January 5, 2009

Thank you, Councilor Reinert, and congratulations on your new leadership role. After five years of dedicated service as an elected *city* official, Councilor Reinert is about to become Representative Reinert, where as an elected *state* official he will continue to serve our community from St. Paul. Congratulations, Roger, and thank you for all you have and will do for Duluth. I'd also like to recognize the service of two distinguished public servants for their lifetime of service to Duluth – Rep. Mike Jaros and Commissioner Bill Kron.

Councilors, I thank you each for your dedication to our city, and I look forward to working with you again in 2009. I also want to thank Amy Norris for once again providing her sign language talents to benefit our hearing-impaired viewers and for her work in coordinating this event. Thank you Amy.

2008 was a difficult year for our city, our state and our entire country. The national economy is in a recession, our stock market and credit markets are in turmoil, and our state faces a shortfall of more than five billion dollars.

However, there are opportunities to be found. Historically, we find during times of great uncertainty that the greatest change, the greatest growth, takes place. The future of our city depends upon our ability to seize the opportunity before us.

Today, we have the chance to choose a path that moves our community confidently from crisis to prosperity by successfully adapting to changing times, removing the outdated systems of a previous century, and adopting a shared commitment to reform and innovation for Duluth.

The budget crisis was our primary focus in 2008. It had to be. With a structurally imbalanced budget, we could no longer postpone the task of making serious cuts. In order to avoid annual multi-million dollar deficits, we had to move away from a strategy of simply surviving and hoping next year would be better. We needed to make fundamental changes to the structure of our budget to achieve a goal of long-term fiscal health.

In addition to the structural problems, the City faced several major monetary losses – \$6.8 million in state amortization aid, an unallotment of \$1.7 million in Local Government Aid, and a loss of \$2.3 million in a failed investment that we later learned was backed by sub-prime mortgages. These three factors alone accounted for \$10.8 million of the now \$20 million deficit that we were forced to overcome in '08 and '09.

All of these challenges forced the City of Duluth to make some difficult decisions that were unpopular with the citizens of Duluth – including myself. Believe me, I wish we didn't have to make many of the decisions we made. But the circumstances made this decisive action necessary. I'll stand by those unpopular decisions because they were made in the best interests of our city. And we're beginning to see evidence that they're working.

Our bond ratings were recently affirmed by both Moody's and Standard & Poor's, two firms that assess the financial viability of municipalities. Their renewed confidence in Duluth was largely based on our success in achieving over \$18 million of budget recovery over the past 12 months. Progress hasn't come easily – we've had to work for it and we should be proud of the accomplishment.

We're moving forward, but the path before us is long. Our success depends upon our willingness to challenge ourselves to do more, to do better – that's a challenge I've given myself, to continually strive to do a better job as your mayor and to better serve our city.

Our success also depends upon our willingness to combat the forces that impede our progress. Unfortunately, I could spend every waking hour correcting misinformation, rumors, and inaccurate speculation on city issues. During a time of turmoil, we can't afford these distractions.

In 2009, I call upon reform-minded citizens to have your voice heard. Our goal is not to discourage disagreement or dialogue, but to raise the level of critical thinking, commitment to fact, and civil, ethical communication. Our community will be stronger when we give our attention to the constructive voices of reason who rise to advocate for solutions, reform and optimism about our ability to overcome our challenges.

I know most Duluthians love this City too much to see us fail either by inertia or by blunt force. Our spirit is not broken. In fact, 2008 has only strengthened our resolve to reform, and to earn a new prosperity for Duluth.

Many have already demonstrated their love and commitment by giving their time, energy, and initiative to an ever growing series of successes worth celebrating – not only for the results that we all enjoy, but more importantly for the power of residents to shape the future of our city.

The Heritage Sports Center is a shining tribute to our rich hockey history made possible by a committed group of volunteers who believe in Duluth. It's a state-of-the-art facility that has given our Lincoln Park neighborhood renewed community pride as well as an economic boost.

The Duluth-Superior Area Community Foundation, as part of their 25th anniversary, helped build a new \$25,000 playground on Park Point.

“Duluth At Work” is a collaboration between the City and several community agencies to work with 80 low income individuals with one simple goal, to increase their income by 25% over a three year period by investing in their skills and abilities to make them more productive employees.

The volunteers with the Chester Bowl Improvement Club have taken responsibility for the ski hill, keeping this popular winter pastime accessible and affordable for Duluth families.

At next week's Council meeting, we will have the opportunity to add to this list. The Lake Superior Zoological Society is poised to take over operations of our beloved zoo. We can ensure the continued health of the zoo and its animals, while also immediately putting \$338,000 back into the city coffers to help balance the budget. I encourage the Council to approve this agreement next Monday.

2008 REFORM & INNOVATION

President-Elect Obama has often said, “You cannot address 21st Century challenges with a 20th Century bureaucracy,” and I couldn't agree more. We must work to fix a flawed, overly-bureaucratic system, to use innovative methods to increase efficiency and accountability, and to give our best employees the support and the tools they need to provide great service to our residents.

In 2008, we began to plant the seeds of reform based on a commitment to the principles of service, innovation, and accountability that are beginning to transform city services. I'll share with you just a few of the results of our efforts.

In the building safety office, our process improvement efforts have resulted in better customer service and a 31% reduction in permit cycle times.

Our commitment to an overlay and capping program resulted in 5.9 miles of improved roadways in 2009. This effort has allowed street crews to patch every other street and alley in Duluth at least once during the summer season - for the first time in more than 20 years.

We became one of the first in the nation to lease the unused capacity in our natural gas lines. This change could result in over a \$1 million dollars in revenue that will be used to keep customer rates down.

We have undertaken the task of updating our existing zoning code and creating a new unified development code. It will include a streamlined development review and approval process to encourage investment and development in Duluth that is aligned with our city's values.

At City Hall, we have consolidated departments to reduce overhead and made many other operational reforms focused on improving service while reducing the cost of city government. I am proud of the efforts of our staff and thankful of their professionalism and dedication to service. It has been a very difficult year and they are deserving of our thanks.

2009 REFORM & INNOVATION

As we look ahead to 2009, we are facing the likelihood of losing millions of dollars in cuts to state aid. It is an unfortunate prospect, with daunting consequences. We will deal with those consequences as they become reality, but we can not allow those consequences to define our efforts in 2009.

We will not become captive to those factors outside of our control, but rather double our efforts to improve and find solutions within our own sphere of influence. 2009 will be a year of reform and innovation within Duluth's city government. We set upon an ambitious agenda.

We will create Duluth's first five year strategic plan for city finances and hire Duluth's first Chief Financial Officer to lead the effort of achieving long-term financial stability. Each and every division of city government will create a comprehensive business plan that will help align services, manage resources, and measure progress more accurately.

We will reform the present cumbersome Civil Service personnel system to more quickly fill open positions, attract a broader range of potential applicants, and streamline a burdensome process that requires significant staff time to administer.

We will engage the community with a series of monthly neighborhood meetings. We'll rotate through Council Districts twice a year to discuss neighborhood issues, noteworthy projects and initiatives happening in their district.

Later this month, we will engage our retired city employees in a vital discussion about the future of a health care benefit that is an increasing burden to our city. It's my hope and expectation that a plan for a more sustainable benefit will emerge from that discussion.

We will implement a constituent work order system for residents to request service from their city government. Managers will have the ability to assign work, track response times, and costs. Residents will be able to view the status of their request online.

We will be fully implementing a modernized Comfort Systems service and billing system during the first half of 2009 that will allow citizens to view and pay their bills online.

We will implement a GPS-based system to remotely manage city vehicles. The system, called field force management, will streamline job dispatching and reporting while reducing excess fuel use and vehicle wear from indirect routes, speeding, excess idling or unauthorized after-hours use. This system will greatly improve accountability.

We will conduct a comprehensive citizen survey as our key performance measurement on the service we provide to the public. The data collected will help us refine priorities and identify improvement strategies. I would like to take this opportunity to publicly recognize and thank our funding partners for our survey project, LISC and the SMDC Health System.

We will soon select an energy broker to consult on the potential sale of the Steam Plant and the Gas Utility. The sale of these assets could bring the city tens of millions of dollars, aiding us in our goal of long-term financial stability and providing the ability to move to a pay as you go capital program. While we are serious in our intent to explore these sales, it's not a decision that will be made lightly.

Equally as important as the city's specific actions, we must reform our expectations of what city government can and should provide and come to a realistic understanding of the cost of providing those services. We must also affirm and strengthen the expectation that city resources are well-managed, responsibly used, and accountable for the service provided.

This is an aggressive agenda that challenges the status quo. Some efforts will undoubtedly be controversial. I'm prepared for a vigorous and healthy debate. I am convinced that the successful implementation of these reforms will be an important part of our effort to become a more prosperous city.

As Duluthians, we must be deliberate in our intent to create prosperity in our city. We'll create that prosperity when we take the best of our collective ideas and work together to make them happen. When we talk. When we listen. When we choose to be respectful of one another – especially when we disagree. When we care enough to take not only the first step – but to see our journey through.

Prosperity will not simply be “found” or given to us. We have to earn it.

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