

2010 State of the City  
Duluth Mayor Don Ness  
“Setting the Foundation”

Thank you all for braving the cold to be here tonight. Thank you Councilor Anderson – and congratulations on being selected Council President for the coming year.

Congratulations to the councilors who start new terms today – Dan Hartman, Kerry Gauthier, Patrick Boyle, and Jim Stauber. We also thank those councilors who are completing their term of office, Greg Gilbert, Garry Krause, and Gary Eckenberg.

Councilor Gilbert has now served 12 years on the Duluth City Council. And what a 12 years it's been. Greg doesn't deserve a plaque, he deserves the Purple Heart. Greg Gilbert is a man of integrity, loyalty, and a deep love for Duluth. Please join me in thanking Greg for his service.

To start, let me just acknowledge that last year's speech was a real downer. Now, in my defense, given how 2008 unfolded, it would have been hard to give a cheery outlook on things – but still...

So, right off the bat, we're going to set a different tone. Here's the idea, I'm going to mention some good news, then you can clap – that way Brandon won't be able to write that I had no applause lines.

Oh, and we have a great one to start out with:

Councilor Cuneo and his wife Erin have a new arrival. Their second daughter Elsa was born on Saturday.

148<sup>th</sup> Air National Guard won the Raytheon Trophy for outstanding performance by a Fighter Wing

Animal Allies built a \$4 million state of the art animal adoption center

I've had the same CAO, Dave Montgomery, for almost six consecutive months!

Thanks to the leadership of Brian Ryks, Duluth now has new direct flights to Orlando and Chicago and secured \$11 million of state and federal funds for the first phase of the new terminal project.

And that is just a sampling of the positive stories in Duluth during the past year. But, let's face it, these are tough times...

By most accounts, this national recession is the worst since the great depression. And Duluth, like so many other cities has been hit hard.

Yet, there is a silver lining that represents an important success story that is 30 years in the making.

Consider where Duluth was in the early 80s – near 20% unemployment, one of the worst rates in the nation – it appeared that Duluth would soon follow the downward spiral of many old industrial cities in the Midwest.

But community leaders over the past 25 years would not allow that to happen. Instead, they set out to diversify our local economy to build a more prosperous future.

Today, in spite of the recession, our housing market is remarkably strong, we see new businesses opening their doors, and our unemployment rate is less than 7% (lower than the state and national averages for the past 8 months).

That is a success story that we should be proud of and thankful for a generation of leaders, including Mayors Fedo, Doty, and Bergson and many other community leaders who faced adversity head-on and built a more diverse and robust local economy.

It's now ten years ago that I was first sworn in as a city councilor. I remember sitting on this stage that night thinking ahead to the coming decade – wondering what we had in store.

After the national prosperity of the 90s – the strategy of choice in 2000 was to grow our way out of any potential problems.

Since that time, an unsustainable fiscal policy, subprime suburban sprawl, and a series of bubble economies have caught up with our nation and has now compromised the stability of our national economy and our way of life.

The remedy? Instead of the policy equivalent of a “get-rich-quick” scheme, (which we have seen too much of in recent years) we should return to the ethic of previous generations who built prosperity from the ground up.

Building requires patience – it requires planning and assessment, it requires the remediation of previous contamination, and setting a strong foundation.

All of that work happens before you even get to the point of building anything above ground. But once that foundation is in place – we can build-to-suit the modern needs of a 21<sup>st</sup> century city.

My favorite development projects are those that breathe new life into buildings and land that have long been neglected. It's exciting to see a number of these investments take place in Duluth the past year: Ikonics building on the old USX cement plant site, Zeppa's movie theater in old downtown, A&L's beautiful Weiland block development, the historic success of Clyde Park and Heritage Sports Center, and we're proud to announce group of local investors headed by Alex Giuliani and Sandy Hoff have closed on the LaFarge Plant site at Bayfront -- providing tremendous opportunity to create new private commercial development on site.

Investing in these sites is more challenging and more expensive than an equivalent development on a parcel of green space. But we all benefit from their investment. We thank those who have the courage and the confidence in Duluth to invest in these sites.

For the past two years, City Hall has undertaken the organizational equivalent of environmental remediation of a contaminated brownfield. It's tough work – it's messy, frustrating, unglamorous. It takes a lot of effort and all you have to show for it is a hole in the ground – as we've seen, the absence of crisis does not grab headlines.

Yet it's critical for the success to come.

Remediation in city government has taken the form of challenging the status quo, investing in operational improvement, and seeking permanent solutions to the most complex and difficult problems.

A sampling of those issues:

- We have fixed a structurally imbalanced budget and have overcome \$14.2 million in cuts from the State.
- We have established a plan that will eliminate sewer overflows into Lake Superior by 2016.
- We have established a new street strategy that fixed 17 miles of streets in 2009, over 20 miles in 2010, and putting us on track to fix up to 100 miles over the first 5 years of the program.
- On January first, we took the critical step of moving city retirees from a hundred different variations of health plans to a single plan – that action will save the city over a million dollars in the first year alone and over \$50 million during the lifetime of the benefit.

These are only a few of the most obvious examples of our efforts – there are dozens of examples of city staff who have taken our new motto “own it, solve it, take pride” and put it into practice. I’ll mention a number of examples during the employee recognition segment of the evening.

And it’s working. After 18 months of nearly constant crisis and turmoil, we have finally achieved stability. As we enter 2010, we are now ready to set the foundation.

In City Hall that stronger foundation is based upon the principles of service, innovation, and accountability.

We are investing in quality service by providing customer service training for all city employees in the coming year.

We are investing in innovation - from a GPS system that will improve our snow plowing operations --- to CompStat, a GIS-based crime mapping tool that will assist our police department in devising strategies and tactics to solve emerging problems and reduce crime.

We are investing in accountability in city operations - every city department has now completed an extensive business plan for their operations. Based upon that business plan, we are developing a performance measurement matrix using both quantitative performance measurables and qualitative survey data to track our progress.

Our new economic development efforts are yet another example of our more patient, foundational approach.

Our primary goal is to become a more reliable partner to the folks who are most likely to actually create jobs, the businesses and entrepreneurs who are already in Duluth.

Consider the investments the city is making. Instead of writing a check to bring a call center to town, we are:

- creating a new unified development zoning code,
- we re-established private sector leadership on the DEDA board,
- we’ve reduced the average time to get a building permit by 30%,
- we are preparing shovel-ready industrial sites at the old cement plant,
- in 2010 we will create a one-stop shop for construction services,

- and we are investing in the long-term success of local entrepreneurs through this recession.

You'll notice that I cannot point to any one of these initiatives to claim that I personally have "created jobs". And that is exactly the point – real economic development does not come from politicians, it comes from our business community.

Our role in the city is to aggressively reduce barriers to job creation and to establish Duluth as a good place to do business. We have work to do, but we're making progress.

Here's an exciting example of the sort of the job creation that we want to encourage:

Before this speech you saw a promotional video for GeaCom, a small Duluth start-up company based in the DeWitt-Seitz building, is poised to literally change health care around the world.

Mat Johnson, Chris Butler, and their team have developed the world's first interactive device to enable patients and doctors using different languages to accurately communicate without using an interpreter.

We are going to do everything we can to ensure GeaCom's success right here in Duluth. Sure, there is risk in every entrepreneurial undertaking – but I would rather invest in the success of local businesses like GeaCom than to give huge subsidies to some faceless corporation who has no real connection to our community. The GeaCom team has the innovation, the energy, and the passion to build success right here in Duluth.

Duluth will succeed when companies like GeaCom succeed. We are committed to their success.

As city government retrenches to focus on core services and building that stronger foundation – something amazing has happened.

We've seen a tremendous increase in volunteerism, private leadership, and creative partnerships. Consider the following:

- Over a hundred citizens gave their weekend to build an extension to the Lakewalk.
- Chester Bowl parents respond to city cuts by operating the ski hill,
- Parents in Morley Heights raised money to build a new playground,
- the Zoological Society is working hard to regain accreditation at the zoo,
- Duluth-At-Work is providing job training to improve wages for low income workers,
- and in 2009, the City of Duluth saw over 14,000 hours of volunteer time in our parks, a 30% increase over the previous year.

There are these and hundreds of additional examples of Duluthians responding during a time of need to support our community.

Perhaps no effort better exemplified this resurgence of community volunteerism than the tremendous success of Bentleyville at Bayfront. All told - - 149,848 people enjoyed the light display – made possible from Nathan Bentley's vision and leadership, many volunteers, and a tremendous partnership with the downtown business community led by the Greater Downtown Council.

Let's also take time to thank Lois Paulucci for her generous gift of Bayfront Park which was the perfect stage to the Bentleyville show.

Thank you to Nathan and everyone who had a role in what we hope is just the first year of an annual tradition in Duluth.

Everyone in this room wants to see a more prosperous city – we are all working toward the same end goal: good paying jobs, financial health, strong neighborhoods, and a pride in the City that we call home.

I'm convinced that the most effective way to accomplish this is to continue our efforts of addressing our problems and investing in a strong foundation.

This effort will require careful planning, difficult choices, long-term investments, and perhaps most of all, the patience to continue this effort and avoid distractions.

Upon that foundation, we will incrementally build prosperity, one success story at a time.

- The college student who finds their first job here
- The retiree who chooses to give back to the community they love
- The family who buys their first house in our neighborhoods
- The entrepreneur who hires their first employee

Duluth is poised for success and prosperity in the coming decade. There is a growing confidence in Duluth based upon the courage to solve our biggest problems and the patience to build a lasting and sustainable prosperity.

Thank you for joining us tonight – and may 2010 bring peace and prosperity to our nation, our city, and each of your families. Thank you.