

2009 State of the City Address

Tempe: On the Right Track

Thank you, Mary Ann for that generous introduction. Thanks to the Tempe Chamber of Commerce members and Chamber staff who put this event together.

I'd also like to thank Edward Jones for its repeated and generous support for the Chamber of Commerce and this event.

We are again coming together early in this fiscal year. In fact, given what is going on in the economy--or better, what is not going on--I consider this my opportunity to speak to about what we're working on to prepare us for the next fiscal year and beyond.

I say that because this year's city budget is pretty well fixed. We worked from last December until May of this year, wrestling with tough economic challenges, cutting more than 30 million dollars from this fiscal year's budget for this fiscal year. We already are working on the next fiscal year, 2010-2011 and the later years to create a fiscally Sustainable City.

As with last year's speech, I note we are not in great financial shape, although we remain in relatively good condition. Tempe's sales taxes are down from their high two years ago, by 10.6%. Sales tax for the cities of Chandler and Phoenix are down about the same. But from their high points in other cities, we can see matters could be worse for Tempe. Mesa's sales taxes are down by

16.2%, Gilbert's are down by 14.9% and Scottsdale's sales taxes are down from their high by 22% through June 30, 2009.

Worse for all our cities and the State, the declines have not yet abated.

Tempe's sales taxes are down yet again in the first four months of this fiscal year, July 1 to October 31, by 10.3%. That further reduction comes on the heels of the two prior years' reductions. Our surrounding cities are seeing a similar trend.

Last year in this annual speech, I remarked the State of Arizona was not doing enough to address its financial challenges. Some thought I was presumptuous to point out the State of Arizona was not doing enough and its failure to create a responsible plan put our City and all others at risk. As I said last year:

With the State in difficult shape, I am reminded that we're all in a boat filling with water. Tempe has one of the highest seats, but the boat is still filling with water. We need State leaders to learn, as we have, that it is better to fix the things that cause holes in the boat than it is always to be bailing water.

Now we are waiting again. This time, the State still faces a deficit of at least \$2 billion—and some believe \$3 billion--for this fiscal year and little action is being taken to address the challenge. We are still waiting to see on what terms the Governor will call the Legislature into Special Session to deal with this fiscal crisis. I call on all assembled here and those who may watch this address later to contact State leaders to take action quickly, before fewer options remain available and we have a shorter period of time in which to take necessary action. Our State's leaders already have waited far too long to deal with the State's budget for this fiscal year.

In Tempe, we are not waiting. Tempe's Council and staff already are addressing a structural deficit of approximately \$22.5 million for next year's budget—the 2010-2011 fiscal year and each year beyond. We do not agree unanimously on the priorities, but to a person we recognize that we must address the structural deficit using the tools on which we, as a group, have reached consensus. These include:

- Elimination of vacant positions
- Organizational consolidation
- Balancing our budget by the 2010/11 fiscal year rather than spending down reserves further
- We should maintain a reserve for future economic uncertainties
- Consider increasing the bed tax
- Capping the City's share of health care costs at current levels
- The City should partner with other entities to provide shared services
- Consider new, alternative service delivery models for non public safety areas

Making additional required changes to our budget will not be easy. Especially in light of the fact that Tempe's budget has been reduced significantly already, including the elimination of 112 positions. To date, these cuts in positions have not cost a single employee a job. We have contracted the City's workforce through natural attrition, while seeking new jobs for employees currently in positions designated for elimination. As of today, we have only 12 employees whose jobs are slated for elimination have yet to move to a new position. And we have given ourselves until June 30, 2010 to complete this transition.

It is unlikely, given the continuing lack of private sector growth, we can achieve a similar outcome in the coming years. But our Council and staff will consider

all reasonable options to protect the services our residents expect and deserve and the people who provide them.

As it must, our budget focus is on the immediate challenges of reduced revenue to the City and unsustainable expenditures. That is what defines a structural deficit. This long-term challenge must be confronted in the same way we have in our recent past. We must create a truly sustainable community, one that respects its environment and protects its unique cultural heritage, while we build a robust, integrated and community-sustaining economy.

This approach has worked over the last five years. Although Tempe cannot “grow” itself geographically like all of our surrounding cities, we still have grown Tempe’s economy. In the last five years, our population shrank relative to the Valley’s other cities. On the other hand, we increased the number of people who come to Tempe to work, to go to school and to enjoy our events and amenities. More people come to Tempe daily than live here. Tempe is one of the few cities in Arizona that imports jobs into the community. These people not only contribute to our economy, but they contribute to the excellent atmosphere of Tempe. The companies who locate here invest billions in new construction and in human resources.

Our City remains its permanent 42 square miles, as it has been for almost 40 years now. Yet, in this last five years, even with the economic downturn that is unprecedented in most of our lifetimes, Tempe’s economy, as measured, for example, by sales taxes, has grown 19.2%. That is almost 4 percent per year, even after taking into account the reductions caused by this most recent recession.

As some might properly suggest, if Tempe's sales tax revenues have grown that much, Tempe really must address the growth in its expenditures that have occurred over the last decade at least as fiercely as we also address the more recent reductions in revenue. Fair point.

For long-term success, however, we must continue our efforts to build Tempe's economy. Examples of this approach have positioned Tempe for job growth and revenue expansion when the economy recovers. We should note yet again, the great job that our Development Services staff has done to improve the way Tempe facilitates business formation. The reorganization of that Department four years ago, along with improved integration and customer focus there and with our Engineering division provides its own proof. Due to these efforts, even in the midst of the terrible economic climate, the business formation and real estate development activity for the fiscal year ending in June was our third highest year on record.

For our efforts to make Tempe's regulation of business more customer-focused, cost-effective and efficient, we are still seeing new businesses work to open even in this current economic climate. We continue to observe developers positioning properties in anticipation of the economy turning around. We are on the right track.

We are making the most of what we have. According to a September land appreciation and public policy study by Katherine Kitrell, Tempe has received a better return on investment in its light rail stations than any other city on or around the line. We have space available in some of the high rises completed

before the economy turned and financing became difficult. This positions us as one of the best places for recovering companies to invest.

Some of that investment is happening now. We have more than a dozen new businesses opening in our city right now, something you don't see in many communities. . Our Economic Development team brought more than 3,000 new jobs to our city, many of them technology and advanced business services jobs – high paying positions that offer new opportunities for people to work in Tempe. Direct Alliance is hiring 700 people. Terralever won an international contract with Red Bull, allowing them to hire many new programmers.

Companies like Smashburger and Five Guys are choosing Tempe for their first Arizona location. But you don't just have to listen to me tell you how easy it is to get started here and why Tempe is the best location for a business.

BusinessWeek and Entrepreneur Magazine both named Tempe the Best Place to Start a New Business this year.

Here's one recent example that shows, again, Tempe is on the right track in managing the way it "does" business. Dave's Electric Brewpub just had its grand opening last week. I'd like Christina Cenzano, who is with us, to rise and accept our congratulations.

Of course many of the steps Tempe has taken over the years will provide a base on which we will continue to build our community. Our transportation system is second to none. Streets and roads are the backbone, of course, and ours are in good shape. But we also sport nationally recognized bikeways, we have ubiquitous bus service, the Orbit neighborhood circulator, which is only three years old, and of course light rail, which opened less than a year ago.

These demonstrations of Tempe's approach to our environment in transportation continue to be recognized, as with Valley Forward's 2008 Crescordia Award for the entire transit program, again this year, Tempe received the Crescordia Award for the Tempe Transportation Center. These environmentally sustaining approaches, and so many more, are helping to position Tempe for the economic recovery. Take a look.

Please join me in welcoming Nick Bastian to the State of the City address. More important, let's thank him for focusing so much of his efforts on building Tempe's SMART residential base. Through "social" media, Nick has helped spread the word that Tempe is the Smart Place to Be, to live, to work, to play, to go to school, to have a business, to raise a family.

Just this year, Tempe was acknowledged by the Urban Land Institute with the inaugural Smart Growth Award, and Papago Gateway Center was named "Best Green Building" by Southwest Contractor Magazine. Another example of Tempe continuing to lead the way in fiscally wise environmental sustainable practices is the East Valley Bus Operations & Maintenance Facility, which received a LEED Gold designation from the U.S. Green Building Council. By the way, the USGBC is holding its "Green Build" convention in the Valley this week, and you can join us this evening in and around downtown to see what is going on to increase our environmental sustainability.

The honors highlight our continuing efforts to improve our City Government's approach to environmental sustainability through our Council's Sustainability Committees. They include a subcommittee seeking to revise our City building

codes to enable developers more easily to incorporate new environmentally smart technologies into their projects; a committee that is examining additional ways for the City Government to incorporate energy saving technologies in our operations, and a committee that examines whether these efforts meet “cost-benefit” analysis, because if it doesn’t make economic sense, it isn’t really “sustainable.”

We already understand being green can also make good business sense. As an example, we have the new additions to our recycling program, which includes an improved “single stream” recycling center that better sorts the material in Tempe’s blue barrels leading to a better return for our community. For every ton of material that can be recycled through our blue barrels, the City saves \$26.00 in land-fill fees AND is paid for the effort, currently \$28.00 per ton for the recycled material.

We continue to celebrate and protect Tempe’s unique culture, recognizing our great diversity in our population of residents and our work force encourages creation of new and better ideas. So, for example, the Tempe Tardeada, Oktoberfest, the Mayor’s Disability Awards, and Martin Luther King Day celebrations are long-standing traditions celebrating elements of our diverse culture. But so are the 4th of July festivities, the Healing Field on September 11th, the Spring and Fall Arts Festivals, the Veteran’s Day Parade and celebrations, the Light Parade, Boat Parade and Kiwanis Club Easter Egg Hunt for thousands of our young residents.

All of these traditions celebrate our community’s heritage and diverse perspectives. Seeing challenges from myriad perspectives gives us a better

chance at addressing those challenges effectively. As noted by our first video vignette, in our work toward cultural sustainability, we are seeking a return of our “home grown” businesses. That includes reinvigorating the home-grown artistic talent, the “music” business. We are supporting the significant effort to return live music to Mill Avenue and elsewhere. We have Walk-in Wednesdays at the Tempe Center for the Arts, Marquee Theatre, MADCAP Theatre concerts, and Music on Mill. As one of our well known artists says...well, just take a listen.

Please join me in thanking Walt, who is with us today, for his heart-filled efforts to bring Tempe back to its roots in music.

And yet, we all recognize the first place we look to see our community is culturally unique is our neighborhoods. Working to sustain strong neighborhoods will continue to attract a strong business community. Tempe’s neighborhoods are the “home” where our residents arrive after their days out working, going to school and helping others in our community. At the center of these diverse, colorful, rich, vibrant, eclectic neighborhoods, we have our parks, where our residents can relax, our children and grandchildren can gather, and we can reconnect. Also, sustaining strong neighborhoods will continue to attract businesses to our community.

As a further example of community sustainability, we continue our efforts, with the support of our residents in the last bond election, to rehabilitate our neighborhood parks. We are working to improve these gems with new playground equipment, a few with dog runs and, in one case, a meditative labyrinth made from recycled concrete rubble. But in typical Tempe style, the

effort involves the residents of each neighborhood in a neighborhood park “masterplan” process. We want the resulting effort to reflect each unique neighborhood’s needs and desires. Here is a long-time Tempe resident who can explain the purpose and our approach, Lisa Roach.

Let’s all thank Lisa Roach, President of the Clark Park Neighborhood Association for joining us this morning. We are grateful for your efforts. I’d like to add that Lisa, along with long-time residents Karen Adams, Woody Wilson and Isabel Ruiz, have formed a new Arizona non-profit corporation that shortly will qualify with the Internal Revenue Service as a “public charity.” Through Tempe Neighbors Helping Neighbors, our community’s volunteers can help improve our neighborhoods further by helping those too frail or who are facing economic challenges to clean up and otherwise improve and maintain their properties. We’ll see how that effort is going at next year’s address.

That raises my closing point. We also have improved our efforts to reach out to those most in need in our community. Through programs like Project Homeless Connect, we are reaching out to those who have lost their homes or suffer from illnesses that make life a daunting challenge. Our faith community organizations have done amazing work in the last few years. One group, called “For Our City,” has reached out to more than a hundred faith organizations in Tempe to train our community members how better to prepare for emergencies. These faith leaders have created programs to “train the trainers,” teaching leaders within our faith organizations how to train their own members. This effort has quietly assisted our police and fire departments reach deeper into our community to improve Tempe’s emergency preparedness.

Those efforts span a wide ranch of faith communities and programs. Let's watch.

Please join me in thanking Pastor Sanghoon Yoo for his work in forming For Our City and directing the Holistic Urgent Recovery Team, or HURT, in training hundreds of Tempe residents in emergency preparedness.

Cultural and Environmental Sustainability helping to support a Community Sustaining Economy. All of these pieces must work together. Just as we all must work together better.

On your way into this event, you had a chance to "sign" up for Tempe's new networking sites, including the Tempe Newsroom to keep you posted on breaking Tempe news. We also have invited you to be added to the Tempe business and "shop" Tempe webpages. It is by better networking, and further reducing your costs of doing business in Tempe that we hope to help you and your businesses flourish in Tempe.

We all must help one another succeed. Just as Tempe cannot succeed unless its surrounding communities do, most of us will not succeed independently; we must all work together to improve the business climate in Tempe, in Arizona, in this Nation and across the globe. From the most conservative to the most liberal, we show we believe that. After all, even the current presidential administration has been seeking ways to stimulate the private sector to create jobs. Those jobs create profits that supply the very tax dollars every level of government depends on to pay for the services it provides its residents. Nothing can take the place of hundreds of millions of people each making

hundreds of decisions each day on how they wanted to spend their time and resources. The “free market” isn’t some monolithic giant making or breaking each of us at a whim. It is just the opposite. It is, in Tempe, 165,000 residents doing what they want. It is 15,000 businesses taking action through hundreds of thousands of employees... ...Tempe is no different. Without successful business, Tempe’s government cannot succeed. Today, I hope you took the time to network to meet a new business person and, together, both of you might improve your chances at success.

And yet, some will not succeed in their lives without our help. So here is your chance this morning. There are those who do not have the resources currently to improve their current lot in life without a hand up. With the holidays coming, our food pantries need help from all of us. On the center of your table is a gift bag. Inside the bag are donation envelopes. Please take one. I’ve often noticed that receiving a gift is wonderful, but the ability to give is a privilege. You feel good about yourself after doing something for someone else. All I’m asking from you today is that, if you have a spare \$10.00 bill, place it in the envelope and put the envelope back in the bag. Of course, you can also place more in the envelope. And if you are one who does not carry cash, there is a place on the envelope for secure credit card donations. We also have volunteers in the lobby who will help you make an online donation. Of course, if you prefer not to give today, you can return to the Tempe Community Action Council website at any time.

All of your contributions today will go to the Tempe Community Action Agency food pantry. With the approaching winter, TCAA’s food pantry needs our support.

Ladies & Gentlemen, thank you for your attention today and your commitment to Tempe, the Great Arizona City.