

STATE OF THE CITY 2010

Welcome and thank you for joining us here today. As we continue our journey on this path to greatness it reminds me of a quote by Charles Simmons. It truly reflects my thoughts about the opportunities that lie ahead for our great city while facing our future challenges. "Life is made up of little things. It is very rarely that an occasion is offered for doing a great deal at once. True greatness consists in being great in little things."

The global recession and other factors have certainly presented us with formidable challenges, but by undertaking many "little things" and working harder and smarter we'll look back and call this "The Recession that made us Great."

I promise that all of my remarks will not be doom and gloom, but I would be remiss if my comments skimmed over the challenges that lie ahead. I prefer to get the bad news out first and end on a positive note.

(FACING CHALLENGES) As you remember, in last year's address, we used the slogan, "On the Road to Greatness", to illustrate the administration's vision, mission and goals to take the city to greatness. We talked about our focus on downtown redevelopment, mobility and mass transit, enhancing, preserving and protecting our parks and open space and promoting new development concepts. Our laser focus on these categories over the past five years has played a huge factor in our success. My compliments to Ann, Susie, Emma, Carl, Rachel, Eddie, Steve and Beto for their dedicated service to our community and to over 6,000 city employees who have helped execute our vision for a better El Paso

I refuse to think of challenges as problems, but most of the time we identify our challenges when we are confronted with a problem. If you insist on calling our challenges problems, I would ask you to consider Jiddu **Krisnamurti's** philosophy regarding problems. **"If we can really understand the problem, the answer will come out of it, because the answer is not separate from the problem."**

But for now, let's just agree that what we have are challenges we must face as we candidly evaluate the State of our City. And by the way, I won't let us forget to count our many blessings.

We are blessed with the growth of Fort Bliss.

We are blessed with Stimulus funds we've received

We are blessed to be a safe, prosperous and vibrant city

Yet:

We are challenged with the growth of Fort Bliss.

We are challenged with how we deal with the Recession.

We are challenged by the violence in our "Sister City"

The violence in Juarez is mind numbing. Juarez most definitely is our Sister City. Our border joins us economically, socially, and culturally. Many of us have family in both cities. El Pasoans work in Juarez. Juarenses work in El Paso. We pray that peace will once again come to Juarez and her people can return to their everyday lives. We will continue to assist our Sister City when help is requested and to keep the national focus on the problems of our sisters and brothers across the border.

In addition to those challenges on the border, we have issues that need our attention throughout our City. Foremost, we must take note of the number of our citizens that are unemployed. Statistics are one way to measure the State of Our City. With El Paso's unemployment rate nearing ten percent we certainly must be concerned about how well we are dealing with the recession. My 90-year-old daddy lived through the Great Depression. He never did think it was all that great. I've heard his definition of a depression and a recession many times since I was a child, but in light of the state we find ourselves in his words have a deeper meaning to me, especially as an elected official. Dad's definition goes something like this: "Listen, son, when you're unemployed, I'd call it a recession. However when I'm unemployed I'd call it a depression." There is much truth to his folksy definition. We could focus on high unemployment and think we were losing the battle with this recession.

However, there is good news we shouldn't overlook. The Brookings Institute recently released its quarterly report measuring the economic performance of America's top 100 cities. Once again, El Paso was recognized as outperforming most cities in the United States. Being ranked as the 5th best-performing city overall is something we should be proud of and our economic output was ranked as Number Two!

The Brookings report analyzed four economic indicators including employment, unemployment, gross metropolitan product, and housing prices. We are pleased with the ranking and could point to hundreds of other cities and find comfort in knowing that they are much worse off. Personally, I find no comfort in that. We still have work ahead of us to make sure we not only survive this Recession, but that we will be a stronger city when the national recession ends.

Another measuring stick used to evaluate the State of our City is Housing Starts. Last year we had **353** fewer housing starts than in 2008. We had **646** fewer than in 2007. The housing industry will tell you that for every new house built in a community **three** full time jobs are created. That means the reductions we are experiencing in housing starts equals **1060** jobs lost in the past year alone. And remember that the "multiplier" we use when we talk about attracting new industry to the region works conversely when we talk about losing jobs.

It's often been said that timing is everything. For the past five years this administration has tried to foster an environment that would develop communities differently than had been done in the past. Worsening market conditions, challenges accessing capital, and increased equity investment requirements have chilled the prospects of folks investing in new development projects, let alone adopting different development models that have not been tried and tested in El Paso. To realize the council's goal and to revive the housing market, I propose that we consider incentivizing smart code and transit-oriented development, much like we have done with multifamily projects, by waiving development fees. We should also consider waiving other developer costs such as annexation fees. Our economy needs a shot in the arm. An injection into the housing market would seem to make sense to me, especially as we prepare for the influx of troops and their families.

As a board member of the Texas Municipal League and the National League of Cities, I have heard the realities that communities around the country have had to deal with from my colleagues across the state and nation. Closing down fire stations; lay-offs of police officers and fire fighters; elimination of quality of life programs; closing city swimming pools; reducing hours of operation for zoos, recreation centers and libraries. These are drastic measures that communities, both large and small, have had to take to balance their budgets.

Over the past two Recession budget years the City of El Paso has been fortunate because we have not had to take such radical steps. The City Manager and her staff have done a great job of making sure that adjustments to our operations did not jeopardize basic services to our constituency. In the past five years we have not raised taxes for municipal services. Yesterday, Ms. Wilson filed her budget for council's consideration. I can tell you we are faced with some tough decisions as the council tackles' this important responsibility of adopting a balanced budget. It all boils down to this: Do we approve a proposed effective tax rate increase of 3.1 cents per \$100 of valuation or reduce service levels? And if we reduce services, where do we make these adjustments?

Here are the realities we must deal with, for nearly two years, we have weathered the most significant financial decline in our nation's recent history. In fiscal year 2009, our revenues plummeted \$14M. We absorbed these declines and adjusted our budget without substantial service cuts and ended the year with balanced budget.

In fiscal year 2010 we further reduced the budget by 3% yet still maintained service levels, addressed public safety contract requirements, continued with an aggressive capital improvement plan and actively sought federal stimulus funds to allow for continued investment in infrastructure and improvements to our quality of life.

Now as we approach fiscal year 2011 – we find ourselves at a crossroads, we've encountered a problem and are faced with a challenge. Bottom line is that we will not be able to sustain current levels of service without tax and fee increases.

The need to accommodate for loss of revenue – real property tax, sales tax and bridge fee declines is real. The need to absorb the veterans' exemption (nearly \$2M revenue loss) is real. The need to address a \$5m increase in our public safety budget because of public safety growth and from inflationary costs of wages and increases in staffing is real.

With new public facilities opening, such as the Africa Exhibit at the Zoo; the opening of the new Cielo Vista Library and the Pat O'Rourke Recreation Center, we have \$12 million in operational cost increases. These increases are partially offset by nearly \$6 million in cuts that we've already made so that the net growth impact is about \$6 million or 2% to the General Fund. Excluding capital and debt service the All Funds category of our budget growth also is around 2%.

Any further budgetary cuts will mean very real reductions in service, including limiting hours of operation for heavily used services such as libraries, parks and recreational facilities, and museums and cultural programming. In my opinion, this would be a major setback to the quality of life that our community has focused on improving over the past decade. This will also likely mean a significant slow down in capital investments for the next 2 to 3 years. We cannot continue to reduce the O&M tax rate to offset the increase in debt service rate.

And please remember that any real budget cuts simply can't ignore the fact that almost 2/3 of our operational budget is dedicated to providing public safety. And that eighty percent of every maintenance and operating dollar we spend is for labor. While resources and revenues are not growing, the city and Fort Bliss continue to grow, increase, and expand. At the same time we are contractually obligated to step and cost of living increases to our unionized public safety employees and are still dealing with our commitment to make sure the police and fire pension funds are fiscally sound. This year the inflationary impact to the budget for public safety personnel is over \$5 million.

Ft. Bliss growth and the demand for multi-family housing is another pressure on us. As a community we must come together and find viable solutions. While it is estimated that

the growth will have a positive economic impact of more than \$1 billion, growth is usually accompanied by some pain. Since the BRAC announcements the City has invested more than \$30 million in infrastructure projects directly related to the expansion of the installation. By 2013 the fort will have grown from the 9,000 soldiers stationed there when I began my 1st mayoral term in 2005 to 34,000 and more than 50,000 accompanying spouses and dependents. From schools, to water supply, to transportation infrastructure, to medical facilities, to spousal employment opportunities, we are well on the way to meeting the requests the Pentagon made for accommodating the growth in the civilian community. The one area that remains an unanswered challenge is housing. Excluding normal growth, there will be a demand for approximately 8,000 new units of single and multi-family housing by 2013. With less than 3,000 units in the pipeline this remains our most significant challenge in accommodating Bliss and will remain one of our highest priorities. We will continue to work with our private sector partners.

When addressing our priorities, I'm inspired by Saint Francis of Assisi, who once said: "Start by doing what's necessary, then what's possible, and suddenly you are doing the impossible"

When stimulus funding came our way, we often felt we were being asked to do the impossible; but we never, never, ever, said we couldn't; even when we were being asked to do more with less staff due to budgetary reductions.

Without a doubt, the stimulus funds we've received for mobility, mass transit, alternative energy, economic development and other categories have **infused \$756 million** into our local economy and helped to significantly reduce the impact of the recession, but not all of the federal dollars to establish new programs came with administrative funding. This means city staff has had to do more work with less help. I am proud to say our city employees have risen to the challenge!

We've always been a community that when faced with a challenge have rolled up our sleeves and just got to work. We are determined that we will not return one dollar of federal money made available to us. And I am not just referring to the City of El Paso

either. Every institution that was awarded stimulus funding put their best foot forward and made the most of the recovery grant and loan programs”. I am proud of our community effort to maximize the effectiveness of the stimulus funding. I thank the City of El Paso Departments, UTEP, Texas Tech, El Paso Community College, TxDOT, MPO, RMA, County Government, School Districts, Housing Authority, Water Utility and Not-for Profit grant recipients, for their efforts and fast tracked projects that put people back to work.

An enormous amount of credit is also owed to our Texas Legislative delegation in Washington and the federal administration for realizing that the fastest way to stimulate the economy is by channeling the dollars to the cities. **A special thanks to Senator Kay Bailey Hutchison and Congressman, Sylvestre Reyes for their stellar support of El Paso in Washington**

Our senior Senator has always made El Paso’s concerns her concerns. Senator Hutchison’s efforts for the desalination plant have put El Paso on the forefront of water research – and access to water is critical for sustained growth. Her efforts to increase the mission of Ft. Bliss and to insure that we have the BRAC funding and infrastructure funding will bring more Jobs and economic growth to our region. We can all appreciate her efforts at ensuring that our borders are safe and secure while allowing for important cross border trade.

Over the past five years, Congressman Reyes and I have forged a strong bond, both professionally and personally. He most definitely has been our “go to guy” in D.C. His understanding of our needs and his ability to open doors and represent our interests has resulted in enormous federal investment in our community.

Now let me briefly highlight some of our stimulus funded projects:

- **Glory Road Transit Terminal - \$8.5 million**
- **Westside Transit Terminal - \$4.2 million**
- **Loop 375 and IH- 10 - \$96 million (TxDOT)**
- **Fire Station Construction - \$1.3 million**
- **Green Energy Homes - \$8.3 million (HACEP)**
- **Department of Energy – Energy Efficiency Grant - \$5.8 million**

At this time let me recognize some of our great partners who have helped us on the “Road to Greatness.” (These are organizations that typically don’t have the opportunity to address the community at an event such as the State of the City).

The Housing Authority of the City of El Paso

Housing is a major component of a community. With 23.8% of the El Paso community at or under the poverty level, it is a duty of government to provide housing alternatives. The Housing Authority of the City of El Paso has worked to provide safe, decent and affordable housing to economically-challenged families. Thanks to stimulus funding, thousands of low-income El Pasoans across the City are receiving new energy efficient roofs, water lines, high-quality windows and more than 3,500 evaporative coolers that will reduce home energy costs and ensure the long-term viability of the dwelling structures.

In addition, the \$58 million HOPE VI project in Segundo Barrio is transforming our City’s most historic neighborhoods into a vibrant, crime-free, mixed-use community that is spurring the rebirth of our Downtown District.

Under the visionary leadership of Chief Executive Officer Gerald Cichon and the Board of Commissioners, HACEP is hard at work improving the quality and quantity of safe, decent and affordable housing to better provide a “hand up” to some 40,000 El Pasoans.

The Regional Economic Development Corporation

REDCo is a company which spun off from the Chamber as a stand alone 501 Corporation and has just celebrated its 6 birthday. In those six years, this economic development organization has helped to attract 6,000 good paying jobs to El Paso, creating new payroll of \$187 million and a capital investment of \$129 million.

As the national/global economy has experienced a downturn since mid 2008—our region has certainly been impacted. El Paso's unemployment rate topped out at 9.9% in January of this year, but for 17 consecutive months – El Paso's unemployment rate has been equal to or lower than the national rate of unemployment—a phenomenon that our community has not experienced in more than three decades.

During this time, however REDCo has seen a dramatic increase in interest from business and industry contemplating a relocation or new start up in our community. REDCo is currently working with 180 corporations who are considering a location in El Paso-- 50 of which have short listed our community as a potential site. These 50 companies in particular cover a wide range of industry segments including defense, life sciences, clean technologies (renewable energies), white collar jobs, information technology and more—and offer the potential of thousands of new jobs. This level of activity has our pipeline filled and leaves us hopeful for a strong finish in 2010 and even more announcements in 2011.

Juarez historically has been a good indicator of what we can expect on our side of the border. Despite the violence—Juarez continues to lead Mexico in almost every indicator of industrial activity-- and has gained 13,000 new jobs in March and April of this year. REDCo is working with 46 additional companies who are considering new jobs and investment in Cd. Juarez, 18 of which have shortlisted our sister city.

Texas Workforce Solutions Upper Rio Grande

I am honored to serve as the chief elected official representing six counties. Our regional workforce development board is making an impact on workforce training, education, employment and economic development. In the last program year, the board assisted more than 159,000 customers. This includes more than 10,000 children, 6,000 military-veterans and 4,000 employers. As you can imagine, this number continues to increase as a result of our unemployment rate. We are on pace to serve more than a quarter of million customers. In the last year, growth within the organization and diversity of services has resulted in an office on campus at UTEP; the dedication of a resource van for child care providers in rural counties; an office inside the probation office downtown to assist exiting offenders and a rapid re-employment center to assist those affected by a layoff.

The Texas Back to Work program provides a \$2,000 incentive for employers who employ a first time unemployment insurance recipient. So far more than 150 local residents are back to work as a result of the program and 90 companies are participating. We want to get nearly 900 residents back to work by September with the \$1.9 million grant we have received!

Employers are encouraged to sign up for this program and others! You can make an impact toward a brighter economic future!

El Paso Water Utilities/Public Service Board

In addition to the great job the Public Service Board continues to do overseeing the operation of the El Paso Water Utilities, the new Storm water Utility which has improved our ability to control flood waters is also governed by them

Thanks to the federal stimulus funding, financing is in place for the first group of storm water master plan projects. The projects will protect more than \$1 billion in residential and commercial property from flood damage!

As a testament to management of the utility, a Fitch rating of "AA" was assigned to the bonds, which gives the utility access to more favorable rates. Only a quarter of the nation's municipal utilities receive this rating and it is extremely rare for a new utility to get this designation for its first bond issuance.

Because of the favorable financing, the schedule for the projects has been accelerated. Projects originally scheduled to take place over a three-year period will be completed in 18 months to two years.

The utility is also helping us achieve our goal of protecting and preserving El Paso's precious open space. The PSB transferred nearly 1,700 acres to Texas Parks and Wildlife to expand the Franklin Mountains State Park. The land will add additional amenities to smart-growth communities being developed on the east and west sides of the Franklin Mountains State Park, while providing easier access for park visitors.

In the center of the community, our Downtown, our road to greatness is laid out in the "Downtown Revitalization 2015 Plan." This plan was approved by City Council on October 31, 2006. Our vision was that of a revitalized downtown where people would want to live, work, shop and play. This 2015 Downtown Plan has seen significant results in only three years, and I would point out it happened right smack dab in the middle of the recession that is going to make us great.

We've seen more than \$231 million in public and private investment since the plan was announced.

- **Double Tree Hotel**
- **First Ave. Lofts**
- **The Garden**
- **Mills Plaza Wyatt Plaza**
- **Magoffin Park Villas Pot-au-Feu**
- **Black Pearl Nightclub Courthouse Shop**
- **Federal Courthouse**
- **Convention Center Plaza**
- **CBD IV Street Improvement**
- **Sun Metro Transfer Center**
- **International Bridges**

These investments have reinvigorated our downtown. And don't you just love it when visitors to our city tell us what a beautiful downtown we have!

As an ending note please take heed to American Novelist, James Lane Allen's quote: "Man's rise or fall, success or failure, happiness or unhappiness depends on his attitude ... a man's attitude will create the situation he imagines."

I could end this speech focused on some of the unflattering designations we've been tagged with, but I would rather close singing the praises of my City:

- **El Paso ranked #5 Best-Performing U.S. Metro Area**
- **El Paso ranked number one in income growth**
- **El Paso ranked 2nd Safest City in the U.S.**
- **El Paso ranked 10th Strongest U.S. Economy**
- **El Paso ranked 9th U.S. City for Job Growth**
- **El Paso ranked 5th Strongest Housing Projection**
- **School of Medicine seats 1st Class**
- **El Paso home to the 2010 Women's Bowling Conference**

- **El Paso gets Conference USA Basketball Tournament**
- **Children's Hospital to become a reality**
- **City approves Rapid Transit Plans**
- **El Paso is an All-America City**