

2009 State of the City address

June 2, 2009

Mayor Lionel Rivera

Good afternoon, everyone. Thanks again to the Chamber of Commerce for hosting this annual event. It's always a pleasure to talk about the work of the city this last year and discuss our future prospects.

Last year I reported to you that we faced a number of challenges as the housing market declined, fuel costs were at record highs and sales tax revenues were on a precipitous decline. I won't surprise you by reporting that things have dramatically improved, they haven't, and we may face tougher challenges ahead. Our city faces obstacles previously unseen, at least in our recent history. City Council and staff work together to run an efficient city government, and we deliver. I'm proud to say that we have an incredibly hard-working, innovative group of city employees, who are dedicated to providing excellent services to you for one of the lightest tax burdens in the nation.

For every dollar of a taxable purchase you make in Colorado Springs, about 3.3 cents goes to the city's general fund, PSST, TOPS and our portion of PPRTA tax.

- That's what funds traffic lights, street maintenance, bridge repairs, parks, sports fields, animal control services, our police and fire departments, code enforcement, community centers, transit and all the other myriad of city services you receive every single day.

We expect – and get – a lot, for our 3.3 cents on the dollar.

And when running efficiently, on a very tight budget, that leaves few options for belt-tightening. Frankly, our belt's in its last notch. As a community, we must be prepared to make changes and perhaps tough choices to sustain the quality of life and services we enjoy.

In the past year, we've made unprecedented service cuts, due to a budget shortfall of about \$40 million. And we may not be done yet.

Our focus this year has been twofold:

- First, we're working hard to sustain our local economy by removing roadblocks for existing businesses and those who want to relocate here. That means jobs for our citizens and sales tax revenue for city services.
- Second, we're innovating and partnering with other government agencies, non-profits, private citizens and whoever we can to stretch city funds – your tax dollars – to get the most bang for the taxpayer's buck.

2009 revenue and budget YTD

Late last year, city sales-and-use-tax collections plummeted. City Council and city management responded quickly to amend the 2009 budget to reflect the significant downturn in collections. We bridged budget gaps of nearly \$40 million, eliminating about 200 staff positions and making service cuts that I'm sure you've already noticed.

Thus far, 2009 revenue received has been closely in line with the revised forecast. We may not have to make further drastic reductions this year, but we'll face more fiscal challenges in 2010 and 2011. Our current projections are for a \$23 million shortfall for 2010.

Some of you may be sitting out there asking, "Gosh Mayor, what have you guys been doing. I don't hear about other communities in as tough a shape as we are?" I can assure you, all communities across the state have been impacted by the economic slow down, but many of those communities chose to invest more in their cities years ago.

Thornton \$43MM; Pueblo \$48.5MM Aurora \$113.8MM Denver \$140.4MM

Now I'm not advocating we take on any of their revenue structures, but it certainly illustrates how different communities determine their future by investing in their cities. Under any of those four scenarios we wouldn't be facing a budget shortfall.

As the economy recovers, what we refer to as the "ratchet-down effect" of TABOR will restrict the city's efforts to restore services. The TABOR formula permits rapid *declines* in revenue limits, but prevents rapid *recovery* when conditions improve.

The Independent's Adrian Stanley put it well in her article [TABOR Tyranny, or, why our city will never recover from an economic downturn:](#)

- "During a recession, the city spends much less than normal — its budget shrinks because people are spending less and, therefore, tax revenues are lower. Under TABOR's rule, that lower spending punishes the budget of every year that comes after it."

I encourage you to read the article, which does an excellent job explaining TABOR and the city budget. And it's so well-written that, I promise, you won't fall asleep.

Sustainable Funding Committee

It's obvious to me that we have to take a different approach if we want to first maintain and then improve our quality of life. In exploring a long-term solution, City Council appointed 24 citizens, representing a cross-section of the community, to the Sustainable Funding Committee. They've spent thousands of hours since last June, working with city staff to develop a Long-Term Sustainable Funding Plan, and studying the issues confronting our city. They've formed groups to study four distinct issue areas:

- revenue,
- city services,
- assets and enterprises,
- and TABOR.

The committee is now working hard to wrap up its work, make final recommendations and present a report to City Council on July 27. I expect their recommendations to address the very difficult situation we find ourselves in.

Economic development

Despite the difficult economic times we find ourselves in, we can't sit around and hope things will change on their own. We have tremendous opportunity and we need to seize it.

As I said earlier, the city has been working hard to build a better business climate. One of the ways to address our revenue shortfalls is in creating and retaining good jobs. And our efforts to improve review processes and incentive programs are seeing results!

Last month Hewlett Packard announced that they selected Colorado Springs to build their \$260 million, next-generation data center. They could have chosen any number of locations for this project, but we partnered with them to make it happen here by providing tax incentives.

The return on that investment to our community is that:

- We'll retain 125 data-center jobs,
- Create 10 new jobs at HP,

- And create 300 to 400 construction jobs beginning this month and lasting several years.
- We'll also gain more city and county property tax, a long-term source of revenue, from the \$260 million capital investment.
- We'll see a boost in city and county sales tax, including new revenue to the PSST, RTA, and TOPS.
- Utilities will gain a high-capacity customer, meaning substantial additional revenue to the General Fund.
- We're promoting local business activity by encouraging local buying.

We anticipate it will be a catalyst project that positions Colorado Springs as a premier location for a highly sought-after industry cluster, and the expansion puts us in a global spotlight for leading-edge technology. And the best part is that the rebates are from the new revenue HP generated! There is no sharing of existing revenue or guaranteed rebate amount. We expect our investment in HP will generate \$15.9 million in new tax revenue in the first 10 years.

Advanced and medical-device manufacturing are growing industry sectors nationally and internationally, and nearly 160 manufacturing companies are headquartered here. We have identified this sector as a key industry cluster and we will continue to capitalize on our strengths to attract more of this industry to Colorado Springs. Our manufacturing industry provides about 15,000 jobs – seven percent of our local labor force – so it's important to partner with them to further the economic health of Colorado Springs. They help diversify our employment and industry bases and are key drivers in the local economy.

Earlier this year, the city reinstated a program to provide incentives to these local manufacturers to upgrade, expand and further invest in capital equipment for Colorado Springs facilities. They are important to our future and we can win more of this business.

While these examples are more visible to the public, other changes of equal importance have occurred behind the scenes. The city, Pikes Peak Regional Building Department, Springs Utilities, and development community representatives have placed a great emphasis on reinventing development processes to make them faster and more effective.

Our cooperative effort has resulted in:

- Shortened planning reviews from three days to about one.
- Decreased fire plan review times from five days to about one.
- Other review times decreased by at least 50 percent.
- And two to three week reductions for review of new buildings and additions

Improving on the basics makes us more competitive for new and existing business expansion.

Fire and police

When times are tough, we focus on the most basic and essential city services. ‘Till now, we’ve been able to shield our police and fire services from deep cuts, and they, too, are focused on efficiency.

To that end, the Fire Department is working on two major fire-prevention projects this year after identifying some significant risks in our community. We’re targeting our hillside neighborhoods, where we can influence fire behavior in the event of a wildfire.

Firefighters are communicating extremely important safety measures to the owners and managers of apartment communities and other multi-family housing, while simultaneously

conducting inspections. Each plan will be distributed to current residents and to each new resident when they sign a lease. Neighborhood firefighters are discussing everything from maintenance of smoke alarms and fire extinguishers, to exit signs and evacuation plans, to the storage of pool chemicals. The program is currently being piloted at four stations, and will be soon be implemented at the other 16 stations.

The CSPD started a Citizens' Academy to give citizens a window on policing in our community. Citizens were invited to attend a five-week program covering everything from what a patrol officer does on a daily basis to how the homicide unit investigates a murder. The first group of citizens graduated on May 21, and their feedback was very positive. The police department plans more academies in the near future.

Memorial Health System

I'm happy to report that our city-owned Memorial Health System is making a strong comeback from a tough 2008. In addition to providing \$70 million annually in unreimbursed community healthcare, while simultaneously employing more than 5,000 employees, physicians and volunteers, it's amazingly strong financially. Operational improvements, implemented during the last several months, have helped Memorial show strong year-to-date financial performance in both operating and net income margins.

Memorial generated a \$17.4 million in net income for the first four months of 2009. These funds will be reinvested in Memorial's programs and to continue to grow the quality and scope of health care services for our community.

Strong operations have also allowed Memorial to increase days cash on hand from a low of 113 several months ago to above 130 at the end of April. Those are impressive results considering the changes at MHS in the last year.

Several longstanding leaders retired in 2008, and Memorial recruited almost an entirely new executive team. Led by Dr. Larry McEvoy, the new team is collaborating with the board, staff and physicians to deliver high-quality health care and improve efficiency—two goals that go hand-in-hand.

National healthcare reform efforts, mean the health care industry is undergoing major change, with more to come. For example, healthcare reimbursement is moving toward “bundling”—one combined payment for patient care instead of different payments to physicians, hospitals and other providers. It means that doctors and hospitals will have to work together seamlessly and change the way they do business. And though it represents a significant change to our current fragmented approach, this sort of integration has been shown to improve patient health and decrease costs. Memorial is committed to navigating the changing landscape, and is already ahead of the game, as one of only about 12 percent of hospitals in the nation that have already moved to electronic medical records.

Transportation

As I mentioned earlier, we’re partnering with other entities to maximize every tax dollar we spend.

One of our most notable accomplishments in that respect is the acquisition of \$35 million in federal stimulus funding for the Woodmen Road project, which will break ground later this year. Our one-cent RTA sales tax, along with some city funds, had already paid for an environmental study, right-of-way acquisition and most of the design, so the project was shovel ready. That, in turn, means we’ll be able to advance some of the other A-list RTA projects that otherwise might not have been funded.

We're almost at the midpoint of the 10-year capital portion of our one-cent RTA sales tax. Thanks in large part to acquiring those federal stimulus funds, we are on track to complete all of the voter-approved A-list projects by the end of 2014, when the part of the tax dedicated to capital construction will expire, even in spite of rising construction costs.

I extend my sincere thanks to you, the business community, for getting behind the campaign to pass the RTA. Your leadership has paid off, through both the projects we planned to complete, and by earning us this huge federal investment. And that means better transportation for our community.

The news is not all good on the transportation front, however. RTA money, because it is a sales tax, is not a fixed pot of money – it's subject to economic downturns just like other city funds, and this year, our amended RTA budget has been reduced by about \$9 million. Translation?

- We'll repave only 54 lane miles out of our 7,000 miles. That's less than one percent instead of the 10 percent we shoot for each year.
- It will take nearly twice as long to fill potholes because we've reduced the number of workers.
- We're reducing concrete repairs for sidewalks, curbs and gutters by 11 percent.
- Bridge repairs on Circle Drive will be limited to the substructure, and we won't be able to repair the deck, but the bridge will be safe.

Colorado Springs Utilities

Like me, most of you are fortunate to live in the Colorado Springs Utilities service territory. J.D. Power and Associates consistently ranks our community-owned utility as a top performer in the region and nation. I see first-hand the pride employees take in delivering affordable, reliable service that results in those high ratings.

During the next several years, Springs Utilities will face numerous legislative and regulatory mandates that will likely impact business operations and customer rates.

Increased renewable energy mandates, for example. While Colorado Springs is voluntarily complying with Colorado's 10 percent renewable-energy standard, Congress is contemplating a combined 20 percent renewable-energy and energy-efficiency standard by 2020.

In addition, President Obama and many members of Congress support capping the amount of carbon-dioxide emissions utilities and other industries are allowed to emit. Depending on the allocations, the carbon market and timing of the legislation, utility rates could increase significantly. If that happens, we will do our best to mitigate the impact.

The best way to accomplish the dual goals of reducing greenhouse gas emissions while preserving our economy is to unleash the ingenuity and creativity of our own utility employees and America's entrepreneurs.

CSU recently received approval from the State to burn a blend of sawdust and coal at our Martin Drake Power Plant. We will conduct sawdust/coal burn tests this month and hope to begin continuous operations soon after that. Burning sawdust will reduce the amount of coal needed at the Drake plant and sawdust burns cleaner than coal. This project will "rescue" tons of sawdust that would have gone to landfills.

In addition to our sawdust project, we were recently notified that we will receive a \$250,000 grant from the USDA to develop a woody biomass/forest waste project. This month, we will submit an application for a \$5 million grant from the Department of Energy for this project. The primary woody biomass source will be from forest products, such as trees killed by the pine beetle. Most will come from within a 75 mile radius of Colorado Springs. Woody biomass has

fewer emissions and is carbon neutral. This will have the added benefit of making our forests healthier and less susceptible to catastrophic forest fires. Other sources include urban wood waste, Ft. Carson pallets, other wood waste, sawdust, etc. We plan to build a long-term biomass co-firing receiving, storage, processing and injection system by 2011. Both these projects will help us meet our renewable energy requirements at the state and potential federal mandates.

On the private sector side, through a public-private partnership with local physicist and entrepreneur Dr. David Neumann, we're testing his group's new Purestream emissions-control system. This new technology has the potential for reducing emissions from SO_x, NO_x, and carbon.

With tightening air-quality standards, the technology could save hundreds of millions of dollars compared to the cost of traditional technology, and greatly expand the opportunity for green-collar engineering and manufacturing jobs locally.

And that's not the only partnership to improve the environment. This year, our utility is working with the U.S. Air Force to build a two-megawatt solar power plant at the Air Force Academy. The energy produced will help power the Academy and the rest of our community, turning sunshine into electricity for about 1,400 households. The plant will be built locally and financially supported by federal stimulus money provided to the Academy.

Springs Utilities is also pursuing several other renewable projects, including more wind power, biomass and hydro-electricity. Hydro has been a part of our local energy mix for more than a century, and in February we broke ground on our newest hydro facility near Cascade. Upon completion later this year, it will generate clean energy for about 600 homes using water from the north slope of Pikes Peak.

While these large-scale projects are critical to meeting our future energy needs, they are also extremely important in setting us apart from other communities across the country. City Council and our utility staff have identified the renewable energy industry as a key industry for future job growth in the Pikes Peak region. But in order to attract interest in our community we have to build the reputation as an innovative, leading edge green community. These projects in addition to our own SmartGrid that we hope to launch in 2010 will demonstrate that we walk the talk, and position the Economic Development Corporation to recruit the green industry to the Pikes Peak Region.

As for our water supply, the proposed Southern Delivery System – after 20 years of planning – is closer than ever to becoming a reality. In the last few months, we have reached many historic milestones for this important water-delivery project.

In March, the Bureau of Reclamation issued a Record of Decision on our preferred alternative – a pipeline from Pueblo Reservoir. After years of forging relationships with neighboring communities, we received permit approvals to construct our Preferred Alternative in Pueblo County with an alternate plan in Fremont County. Utilities staff is now determining the best timing for construction to begin.

These accomplishments – that seemed beyond our reach just a year ago – will ultimately shape the future of our community and the region. I'd like to recognize my fellow council members – in particular Vice Mayor Larry Small and former Councilwoman Margaret Radford – for their leadership. And I especially want to thank our local business community for your continued support of this project, which will ensure our reliable water supply for decades to come.

Parks

Speaking of water, you've no doubt noticed that many of our parks are looking browner and sparser than we're accustomed to. The parks department has to pay for water just like everyone else, and to give our parks the 24 inches of water recommended by Colorado State University during quote-unquote *normal* conditions, the bill comes to \$2.5 million. We only have \$1.7 million.

That fiscal reality meant a painful prioritization process. Medians and primary parks – community parks, sports complexes and special event venues, which many citizens and visitors pay to use – will get that 24 inches of water. But secondary parks – 137 neighborhood and special-purpose parks – will get less than half that. If that weren't enough, last year's budget restrictions meant we stopped irrigating in mid-September. Coupled with a dry, mild winter and year-round use, our parks have sustained significant winterkill. The condition of our parks is another casualty of our lack of funding for lower priority city services.

Despite financial and staffing challenges, we're still working to ensure all our citizens can enjoy recreation and our parks system. We're breaking ground this August on the first universally-accessible playground in the Pikes Peak region. In another great example of the partnerships I keep mentioning, children of all abilities and disabilities will be able to play on a playground side-by-side, thanks to funding from a host of charitable organizations and businesses, as well as the City's Trails, Open Space and Parks program.

Universally accessible playgrounds go beyond ADA requirements, and this new playground at Memorial Park will be a wonderful addition.

The city continues working with US Paralympics as well, to explore new opportunities for citizens with physical disabilities. We've reached out to the Army's Warrior Transition Battalion, a program that helps injured service members re-engage in community and family life through

recreation. We have offered a Paralympic Academy at the Olympic Training Center highlighting various modified sports, we've hosted adapted Nordic and Alpine ski trips, and we have a wheelchair basketball program in progress. In the future, we'll offer adapted bike rides and kayaking, wheelchair softball and football, and Boccia, a sport designed for people with motor-skills disabilities.

Census

In that same spirit of inclusion, I've formed a committee of community leaders that is working to ensure that the 2010 national census counts every citizen of Colorado Springs. The Complete Count Committee's goal is to create awareness about the census and to encourage community-wide participation, particularly for those citizens who are historically hard to reach in census counts.

An accurate count is critical because the results determine how congressional districts are apportioned, and how more than \$300 billion in federal funds, plus state funds, are distributed locally for schools, roads, parks, elderly services and many other programs. Colorado communities stand to gain almost \$900 per person counted, so you can see how important it is to get an accurate count. And it could be bragging rights to the most populous county in Colorado.

Military

Of course, I could never describe the "state of our city" without commenting on our military. Nearly every city department has dealings with our Army and Air Force installations and citizens. In addition to the collaboration I've already mentioned today, we're also looking out for Peterson by preventing undue development and encroachment at their perimeter. And this past year, we've ensured better accommodations for Fort Carson traffic by joining forces with other regional entities to secure the state and federal funds that rebuilt the interchange at I-25 and Highway 16.

But today I'd like to recognize the Brian Binn, President of the Chamber's Military Affairs Division and their community partners for their ongoing, full-time efforts in this arena. Last month, the Chamber and their partners completed a very successful "Mountain Post Welcome Trip" to Fort Hood, Texas. They helped to assemble a contingent of 100 people for the visit... Fort Carson experts, of course, but also local community agencies, realtors, reps from school districts and higher educational institutions, the YMCA, health care providers and more. We are expecting about 5,000 soldiers, plus their families, to move here by Labor Day. The Mountain Post Welcome team spoke with more than 2000 soldiers and spouses – that's fantastic! I'd also like to single out my wife Lynn, who is the Community Manager for Balfour Beatty, the privatized contractor who manages the 3,000 homes for soldiers and their families at Fort Carson. Her team was out there with Brian welcoming Ft. Hood families to Ft. Carson.

And even though we came in second [*to Lackland AFB*] in the competition for the 24th Air Force, we are very pleased that the Air Force Space Command will be responsible for the Air Force's Cyberspace mission, complementing its current space responsibilities. This will increase staffing at AFSC by 100 military, government and contract personnel. The cyberspace mission will further contribute to the high tech defense, homeland security and aerospace industries within our region. These three industries are key in growing our future economy. With the great work already done by Chancellor Pam Schockley through the National Institute of Science, Space and Security Centers and the UCCS Center for Homeland Security, with the research and development capabilities at the USAFA, with the highly skilled workforce of our aerospace and defense contractors, and the missions of AFSC and USNORTHCOM, we are poised to not only continue our leadership in these areas, but become the hub for homeland and cyber security in the United States. Cyber security and homeland security are areas where we are strong and we must be aggressive in growing the industry in the Pikes Peak region.

Another major area for future economic development is Sports and Sports Tourism. We have been home to the USOC and many of the sports National Governing Bodies for over 30 years. We have benefited from that relationship through the growth of our sports industry and jobs,

increased sports tourism, Olympic athletes living in our community, and the overall positive reputation that comes from having the headquarters here and being known as one of the healthiest communities in the country. David Bamberger estimates that the Olympic and amateur sports and sports tourism industry generates about \$3.4 million a year of tax revenue for our region. While the last 30 years have been good for our community, the future will be even more exciting. A great description of what sports and sports tourism could mean to our city was described in a piece written by Mike Moran for the Gazette's Dream City-Vision 2020. The potential for a revitalized downtown, Colorado hosting the 2022 Winter Olympics with venues in Colorado Springs, a new multi purpose sports facility at UCCS, almost all of the USOC National Governing Bodies making Colorado Springs their home, tens of thousands of fans and visitors enjoy the new sporting events, new shops, restaurants and the USOC's complex along the Tejon Street Mall and Colorado Avenue. It's a vision I embrace and support, and it starts by keeping the USOC Headquarters in Colorado Springs and capitalizing on a renewed partnership. Even though we have encountered some unexpected delays because of very weak local and national economies, I am confident we will develop a new agreement with the USOC to keep them in our city as our long term partners. We won't let you down.

The nine of us on the City Council are committed to providing the best service we can with the resources our citizens provide us. We are guided by our Strategic Plan which is at table (***hold up a copy***). Our city has received many awards and accolades over these past many years and we want to continue Colorado Springs reputation as the best city to raise a family, work and recreate, but we can't kid ourselves. While we have many opportunities ahead of us we also have some major challenges.

You will more than likely see some ballot questions in November that will not be good for our City. If they pass, they will, when fully implemented eliminate about \$45 to \$50 million a year of city revenue. We can not let that happen, and we will do everything we can to defeat the measure.

Even if they don't pass, we are still facing a major revenue shortfall for 2010 and the time has come to take action. Our sustainable funding committee will make recommendations on July 27. If we want to change the direction our city headed and provide the resources our community deserves not only to sustain our quality of live, but to be a world class city, we will have to give our citizens some choices in November. Those choices will from your City Council. We can't bury our head in the sand. We have to take a leadership roll and have the courage to do what's right for Colorado Springs. We don't need or want to be a City run by petition. We must be a city that provides the resources to our employees to keep you and your family safe and provide an environment where you have great opportunities to succeed in building your future.

This city is not just run by me and the other eight members of City Council. Your involvement is critical. I'm proud of our city and I'm optimistic about our future. And it's only by working together that we'll weather these tough times and emerge a stronger, more sustainable city.

Thank you for your attention.