



**State of the City of Cleveland
Mayor Frank G. Jackson
February 23, 2006**

Good afternoon.

Thank you Mr. Kapur and thank you to the City Club for hosting this event.

Thank you to all of you who are here today and those watching and listening at home and at work.

I'd like to recognize Cleveland City Council President Martin J. Sweeney, all the members of Cleveland City Council and all elected officials.

Throughout my campaign and again at my inaugural address, I spoke about my vision for the city of Cleveland, to make Cleveland great again. A Cleveland that is one city, one people living and working together to ensure that the least of us are better off.

Everyone here today has a vital role in making that vision a reality. Cleveland has a great opportunity to reshape itself and to ensure it has a great future. This means change – a change in the way we think and the way we do business. We need to assess where we are today and determine what we must do to achieve ambitious goals and recognition as a destination city.

We have to focus on:

- Sound fiscal management;
- Fostering an environment that promotes job retention, job creation and investment;
- Developing a regional economy and cooperation;
- Providing educational excellence for our children; and
- Safety.

First, let's focus on our current financial situation.

The City of Cleveland is a \$1.1 billion corporation. Cleveland's enterprise funds, including Cleveland Public Power, the Division of Water and our airports, account for approximately \$600 million dollars.

10 years ago, CPP offered customers a rate that was 28% less than its private competitors. Today, the savings is about 1%. To remain viable, CPP will implement a five year strategic plan to be competitive and provide better service.

Our Division of Water currently has a strong balance sheet. We have to review our operating costs so that we can remain viable and continue to provide quality service to the region. That's why we will begin meeting with our municipal customers about service delivery and their expectations.

Cleveland's airports are a regional asset – a lifeline for commerce. We need to be responsive to the needs of our customers. There is a need to improve operations, be competitive and position ourselves for the future.

These and all of our enterprise funds need to remain viable in today's economic climate. I view these three assets – CPP, the Division of Water and the airports – as economic development tools for the long-term growth and stability of our region.

Our general fund is a direct reflection of the economy and has a direct impact on the quality of life and delivery of service in Cleveland.

On February 1st, I submitted the 2006 Mayor's Estimate to Cleveland City Council. It is an operating budget of nearly \$503 million, a 5% increase in costs compared to 2005.

The 5% increase is mainly a direct result of substantial increases in health care costs, increased labor costs, dramatic rises in energy cost, and the loss of the 20% discount on the worker's compensation payment.

This is no different from you as business people experiencing increased labor costs or your families paying more for health care and to heat your homes.

Our total revenue projection is approximately \$489 million, an increase of only 3.2% from 2005. The revenue and expense difference is approximately \$14 million. Our solution to address this deficit is:

1. To utilize savings from 2005;
2. To decertify funds; and,
3. To use the carryover balance from 2005.

That's how we are going to deal with fiscal issues in 2006. But, we need to build long-term financial stability for the City of Cleveland.

That is why I have directed all City Departments to implement cost reduction plans that will save the city overall 3% or \$15 million.

Going into 2007, this 3% cost reduction will allow us to cover the \$14 million of non-continuing funds that we are using to balance the budget this year.

However, we expect that costs will continue to rise next year, particularly in health care, energy and labor. To combat these increases, I'm going to immediately call for an assessment of our health care costs and direct our Sustainability Manager to continue to focus on finding ways to reduce energy costs and promote alternative energy sources. And we will begin negotiations with our various unions this year.

We can no longer do things the way we've done them in the past. We must begin looking towards our future and be innovative in our approach.

I have formed an **Operations Efficiency Initiative** made up of our Chief Operating Officer, Directors of Departments, Councilman Jay Westbrook and alumni of Leadership Cleveland. They will begin work in March to provide recommendations to me on how Cleveland can improve the efficiency and effectiveness of city operations and make City Hall more business friendly. We will begin implementing the plan in November of this year.

We cannot rely on cost-cutting alone. To make Cleveland a city of choice and improve the quality of life for residents and businesses, we must increase revenue through economic development and job retention and creation.

To that end, I will commence meetings with local business leaders for a **Mayor's Leadership Group on Economic Development and Jobs**. I'm asking our local companies to accelerate their commitments to local suppliers and to bring their national vendors and suppliers home to Cleveland.

I see particular opportunities with our health care providers, law firms and all other professional firms. Our significant local buying power can leverage more business within and among Northeast Ohio businesses: all we need is an appropriate focus.

We also must assure that our own house is in order at City Hall. We will revise our procurement practice to encourage local suppliers and greater participation by smaller businesses.

One of the challenges we face is to continue development that was started with our limited resources. Through a review of the capital budget, we know that by the end of 2005, more promises for capital dollars had been made than our resources can support. Basically, our credit card was maxed out.

During the transition, I identified this as a number one priority and gave the task of resolving this to Chief of Staff Ken Silliman.

Handling this situation in a way that will allow us to continue to grow and develop without mortgaging our future will require innovative thinking. That is why we are developing a five-year capital plan for roads, bridges, recreation, infrastructure, technology and development.

While we plan for the future, there are some actions that we can take now, including collecting money that is owed to the City in license and permitting fees as well as traffic, building and housing fines.

There is a general perception that City Hall does not care nor is it efficient enough to do its job. But there is no more business as usual. We will aggressively enforce compliance and collect money owed to the City.

The benefit to the city will be three-fold – we will increase our revenue, improve quality of life in our neighborhoods and create a better investment environment for business.

All of the above-mentioned efforts will take us a long way, but Cleveland cannot do it alone. It's time for all of us – public and private – to step forward. We must take a regional approach to economic development, education and quality of life.

We are spending too much time, energy and money fighting amongst ourselves for jobs and industry. We need to agree on some guiding principles. A list of such principles includes:

- Industrial and commercial real estate tax abatements that are capped at an agreed upon percentage or an elimination of property tax abatements;
- A ban on the use of income tax abatements;
- Standardized low-interest loans and grants; and,
- A formula when a business moves from one city to another, that the new host city shares 50% of the income tax from that business with the former host city.

Because the development of our region is so important, I am conducting a national search for a Chief of Regional Development.

All of these things – providing sound fiscal management; improving efficiency; creating an investment environment; a regional economy and cooperation – will result in a better quality of life for the citizens, businesses and visitors of the City of Cleveland. But we must do more.

To truly improve quality of life and make Cleveland a city of choice, we have to create educational excellence for our children.

To create a school system of choice, we must take a regional approach to education.

We can reduce operating costs for all districts by implementing combined procurement, health care and energy cost saving programs.

We can continue efforts as a region to force the state to provide adequate funding for education.

We can provide high quality academics for all students by creating regional magnet schools, partnerships with institutions for internships and career paths for our children.

We can no longer afford to be parochial in our thoughts, actions, or outcome when it comes to education.

We cannot forget the 65,000 students in Cleveland's public schools or dismiss any child as being unable to learn. We cannot create two systems where some students can succeed and some students don't have a chance to succeed. The cost of the inequity of education in this region is too great.

Our survival is directly related to individuals, businesses, organizations and institutions fulfilling their duty to ensure educational excellence for our children.

There is no one thing that I, as Mayor, or any one individual, can do. There is no panacea. This is a challenge for all of us – the schools, the parents, the students, the business community and the overall community. We all share in the challenge of creating educational excellence for our children.

The Cleveland Municipal School District is a community asset and we are all accountable for its success.

That is why I meet weekly with the Board Chair and the interim CEO. I met with local and national foundations that are willing to give the schools a fresh start and lend their considerable resources. I look forward to working with the Cleveland Teachers Union and all of the school system's unions.

In an effort to keep us all focused on the same outcome, I will have a cabinet position for an Educational Liaison.

Every child can and will have educational excellence. But to achieve that goal, we have to have a safe and secure environment in and around our schools that is conducive to learning.

Safety in Cleveland's schools and in our neighborhoods is essential.

We will send the message that we as a community have zero tolerance for violence and crime.

So Cleveland is putting criminals on notice: If you commit a crime in Cleveland, you will go to jail. We will not allow violence and crime to rule the streets while our law-abiding citizens are locked in their houses in fear.

We have a tremendous problem with youth violence – in our schools and on the streets – and we have to take steps to ensure that our children are safe. Youth violence is a community problem; it is not a problem that either the Mayor, law enforcement, schools, community organizations or parents can solve alone.

So we are doing the following:

- On March 1, the school district will begin implementing an improved school safety plan. 30-35 security personnel will be brought on. 15-20 of them will be assigned to school buildings and the balance will be assigned to the school district's mobile gang unit. The school Administration will brief Cleveland City Council before implementation to get their input and reaction.
- The Division of Police is working with the CMSD, CMHA and RTA and other agencies to protect our children on their way to and from school. We will not tolerate anyone who tries to do harm to our children on their way to and from school.
- The Community Relations Board will pull together a partnership of the Cleveland Municipal School District, the Police, local non-profits, churches, students, parents, volunteers and gang members. The purpose is to have a visible presence in our schools and help prevent youth violence before it starts.
- This past Friday, the Safety Director and the Chief of Police briefed me on a new deployment plan to maximize our personnel and resources to ensure safety in our city. They presented a strategic plan to identify crime patterns and implement efficient deployment. We are setting performance goals, accountability and developing a strategy for community outreach and policing.

Stopping violence and creating public safety is a community effort. And for it to work, we have to heal the breach between the community and our Division of Police. To help do so, the Police Chief issued a general police order in early January to more clearly define police tactics, training procedures and accountability in relation to the use of deadly or excessive force.

And, a week ago, we implemented new policies and procedures to fully empower the Civilian Police Review Board to help ensure fairness and provide closure. We will not only restore the public's confidence in the police, but we will also restore the morale and discipline of our police officers.

These steps to help ensure safety are just a few of the things that I've outlined for you today. I've presented a strategy to help improve the future of the City of Cleveland.

But what I have done today, ladies and gentleman, is no different than any of my predecessors – I'm just standing here running off at the mouth.

Because none of what I've said today means anything without results.

It means nothing to city employees who were laid-off because we couldn't afford to pay them. It means nothing to neighborhoods that do not receive city service.

It means nothing to business people who are unable to maintain and grow their businesses or people attempting to provide for their families but cannot find jobs.

It means nothing to children who are unable to function in our society for a lack of education. It means nothing to parents who watch as their children die senseless deaths on the streets of our city.

And it means nothing to those returning from prison and those who are homeless, living on the streets because they cannot find a productive place in our society.

Because, again, none of what I've said today means anything without results. We all share in the success or failure of Cleveland. There is not one part or one group that stands out from the rest. Knowing this is the first step in making our vision of a great Cleveland a reality.

Cleveland does have a great opportunity to reshape itself and to ensure a great future. But this does mean change in the way we think and do business. Most of all, it means commitment.

A commitment to this city and its people. It is my commitment to you to move on all the things I have mentioned today. To work to produce results, to make the changes necessary for us to become one city, one people, living and working together to make Cleveland great again.