

## **2017 Budget Address Remarks as Prepared**

### **I. Building Saint Paul's Future**

Thank you, Council President Stark, for your kind introduction. And, President Arthur (Ginny), thank you for welcoming us into this spectacular space. Thank you also for Metropolitan State's partnership in building Saint Paul's economy and preparing so many of its citizens to take their place in it. I wish to extend a warm welcome also to members of the City Council and to the Saint Paul legislative delegation and want to thank you for your continued work on behalf of our community.

I recently had the opportunity to tour the East Side Enterprise Center at East 7th and Margaret. Opened just two years ago, it is already bustling with the important work of building a neighborhood economy. With its partners, the Latino Economic Development Corporation, the Neighborhood Development Corporation and a dozen others, immigrant entrepreneurs are finding the training, financing and support to open businesses throughout the East Side. Urban Oasis, Hmong Farmers and Urban Roots are leaning into the work of building an economic sector around growing, preparing and distributing healthy food.

Beyond the specific activities, I came away impressed by the power of the idea.

The East Side Enterprise Center anchors a new narrative about the East Side. It is grounded not in the losses of the past 40 years, but in the entrepreneurial opportunities being seized by people who know that they can eliminate income and employment disparities by starting and growing their own businesses, employing their neighbors and supporting one another. Here on the banks of the Mississippi, they - like generations before them - are drawing inspiration from one of the world's great rivers. Rather than waiting for value to trickle down to them, they - like the tiny stream pushing through the headwaters - are claiming their own power and rushing headlong toward the ocean, gathering strength as they go.

It is good to be here today in the company of those who are building Saint Paul's future.

### **II. Budgeting for equity while continuing the sound fiscal management of the past decade**

Since the beginning of my administration, we have focused on offering fiscally balanced, sustainable budgets for the long-term. No gimmicks. No accounting tricks. My guiding budget principle since day one has been to build a rock-solid financial foundation for the capital city by meeting ongoing expenses with ongoing revenues and prudently applying one-time money to one-time strategic investments.

Adhering to these principles has helped us preserve a AAA Bond Rating, maintain and even enhance services and, in 2015, make the largest local investment in street repair and infrastructure in the history of the city.

Our commitment to fiscal prudence has allowed us to meet unexpected expenses without wild fluctuations in basic services. For example, a decade ago we did not know that an invasive beetle would threaten our population of emerald ash trees. But try as we might to reverse the impact of the Emerald Ash Borer, we now face losing 35,000 trees over the next 10 years. These trees provide a needed canopy over our neighborhoods and combat the negative effects of climate change. We didn't plan for it, but we have to respond by replacing dying trees with new ones. That's why we've identified over \$1.7 million dollars to head off this emerging crisis and invest in our best resource for building a sustainable city: our trees.

More recently, the city has incurred extraordinary costs as a result of ongoing protests in the wake of Philando Castile's death in Falcon Heights. As the capital city, we understand that many will choose to exercise their First Amendment rights within our borders. But we also know that the cost of ensuring public safety during those protests is significant. Since July 6, Saint Paul has incurred nearly \$2 million in expenses.

While we will certainly seek and hope to receive assistance for these costs from state or federal sources, we must have the necessary cash flow to cover them in the short-term. Had we not faithfully adhered to our fund balance policy over the years, we would likely be facing reduced operations at some of our city facilities.

Of course no budget speech would be complete without a discussion of local government aid – or LGA. To remind everyone, the city will receive nearly \$11 million less in LGA than the certified amount in 2003. Adjusted for inflation, that is nearly \$45 million less than we would have received before massive state cuts to aid. And that tally to date assumes \$3 million bump in LGA next year as part of the omnibus tax bill that passed the House and Senate. Unfortunately, there was an error in the bill that needs to be fixed before the Governor can sign it.

Like Saint Paul, cities across Minnesota need a special session to pass the tax bill. In fact, the budget I present today assumes that the Legislature will act soon. If they do not, the budget will have to be amended to either increase the proposed levy, decrease critical public services, or, most likely, a combination of the two. I urge state leaders to support a special session and address this critical issue now.

### **III. Promoting equity, growing jobs, maintaining financial stewardship**

The proposed 2017 budget is based on the following principles:

- maintaining our long-standing commitment to good financial stewardship;
- strengthening our economy and growing jobs; and,
- promoting equity for all residents.

On the heels of 11 straight years of financial challenges – through which we've innovated and cut, increased revenue and rethought service delivery – we once again face nearly \$11 million dollars in inflationary pressures for 2017. As in the past, this budget balances reasonable increases in levy and fees, while restraining cost growth in existing services. But, most importantly, it maintains our commitment to first rate city services and an unwavering determination to ensure Saint Paul's place as one of the great cities of the United States.

For 2017, I am proposing a General Fund Budget of \$266 million, and an overall budget of \$562 million, an increase of about 2.4 percent over 2016. The budget, assuming the additional \$3 million in LGA, includes modest growth in the property tax levy of 4.0 percent – which is only half of the robust 7.9 percent growth in our tax base and will result in a decreasing property tax rate for 2017.

#### **IV. Becoming the most workable city**

Saint Paul has never been stronger and more vibrant than it is today.

The other day, I toured an old warehouse on Prior, just north of University. I had heard about the funky, artist-inspired mini-golf course at Can-Can Wonderland. But what I didn't know was that Orton Development, the team behind this project, is fast creating one of the hippest destinations for entrepreneurs in the region. Black Stack Brewery and Vistabule are two of the companies in this space, and as the tens of thousands of additional square feet open up in this building alone, they will provide professional homes to creative entrepreneurs and tech companies and other start-ups fueled by a culture of daring innovation. Combine this with what is happening at places like Lake Monster and Vandalia Towers and the old Woolworth's building downtown, and you begin to see how the Green Line is doing its job of bringing creative people to the table to breathe new vibrancy into the heart of the city.

And of course, imagine the reinvigorated Midway Center when the soccer stadium is built. As we saw with the nearly 63,000 fans attending last week's game, Minnesota loves soccer. But beyond the excitement of soccer is, of course, the great opportunity to have it serve as a catalyst for redeveloping that key intersection. Last November, 21 community members began participating in a citizen advisory committee, carefully mapping out the potential for that site as part of a master planning process. Combined with three public open houses, an online forum for input and public hearings with the Planning Commission and City Council, we have had robust conversation. In just a week, the City Council will vote on the Master Plan and the soccer stadium site plan. I want to thank the Citizen Advisory Committee and its co-chairs Julie Padilla and Eric Molho for their leadership as we seize this incredible opportunity.

Many things have contributed to the resurgence of our city: our commitment to the arts, a vibrant cultural scene, strong city services including a 21<sup>st</sup> century recycling program and significant infrastructure investments, strong neighborhoods throughout, a focus on bringing energy and planning resources to redevelopment opportunities like the Ford site, new bike pathways, new businesses and improved transit options. Whether you are taking in a Saints game, eating at a restaurant in Little Mekong, attending a performance at the Penumbra Theater or paddle boarding on Como Lake the dynamism in our city is visible in every single neighborhood. Our diversity is an asset that brings vitality and makes us the most livable city in America.

But now we must also become the most workable city.

Everything that we have done has set the stage for future growth in Saint Paul. While we soon will have the highest population in the history of our city, we must remember that we are no

one's bedroom community. We must seize the momentum that we have created and do for business what we have done for residents. Several years ago, a task force led by Greater MSP and Ecolab CEO Doug Baker mapped out how to stimulate business growth in Downtown. The report suggested we lead with housing and vibrancy and business would follow.

Certainly we have seen that in companies like accounting firm Red Path, which opened its second location in Saint Paul, and in Three Deep Marketing, a company that has chosen to invest in creative office space, growing quickly from less than 20 to nearly 50 employees.

But recent announcements about two employers departing for neighboring communities – Cray and app maker When I Work – give us pause. In talking to representatives from both companies, it was clear that the decision to leave was not because they didn't want to be in Saint Paul. In fact, quite the opposite was true. Rather, the problem was an inability to find the quality and quantity of space they needed.

We need an inventory of all available space across the city. We need to make sure that space meets the needs of our 21<sup>st</sup> Century entrepreneurs. Then, we need to aggressively market the opportunities here in Saint Paul. And, where possible, we need to bring new buildings online with an eye towards increasing our work force in Saint Paul.

Just this past week, I welcomed to Three Deep Marketing's Lowertown office more than 20 entrepreneurs from 11 startup companies visiting from across the globe. They were excited about the opportunities in Saint Paul. We need to double-down on our efforts to attract these sorts of companies and the redevelopment of old spaces that makes us an attractive place to both incubate and grow.

To help do this, our Planning and Economic Development department, under the direction of Jonathan Sage-Martinson, has grown its economic development team by 30 percent over the last two years. Our goal is to focus even more of our efforts on business retention and expansion. Additionally, we are working with key partners who share a common mission to ensure we remain competitive, including with Greater MSP as we partner on the Center City Competitive Initiative – aimed at economic development specifically in Saint Paul and Minneapolis.

Ten years ago, it was hard to imagine the vibrancy we now see downtown. But today, it is not hard to imagine that, with determination, we will see similar success in our business community.

## **V. Jobs – Seizing the historic demographic shifts and bringing more people into the middle class**

As we know, the economy of the Twin Cities is one of the strongest in the nation. With a diverse set of sectors and industries, we rebounded from the recession in a great spot.

According to the Pew Research Center, our metropolitan area has a smaller percentage of low income adults than many other metro areas across the country. Yet even as we celebrate this success, our middle class actually shrank a bit from 2000 – 2014. And when we layer this widening income gap over the racial disparities that plague the Twin Cities, we understand that

our response to strengthening the middle class must include racial equity at the center of our work.

So as we grow our economy, we must make sure we do so in a way that benefits all of us in this region. That is why I am announcing today that we are committing to increasing the number of jobs in Saint Paul by 3,000 over the next three years. This will include a specific focus on job creation in areas with high concentrations of poverty and diversity. We must reduce the large employment gap between white people and people of color if we are going to have a sustainable and strong economy.

To support this goal, my 2017 budget includes a new Job Opportunity Fund. Seeded with \$2 million from the sale of the Penfield, this will enable us to target business investment opportunities tied to job creation in areas of our city that need it most. Whether you are a small business along East 7<sup>th</sup> Street looking to expand or a new restaurant on Rice Street, this fund will offer a mix of public loans and grants to those who can help us grow good-paying jobs.

We are also recommitting to strategies that spark small business development and growth, including the Neighborhood STAR program – which will be funded at \$1.9 million, and the Commercial Vitality Zone initiative that we began in 2015. With another year of investing \$750,000 in public infrastructure, the Commercial Vitality Zone initiative will spur private development and accelerate projects in business districts all across the city.

During my State of the City address, I shared our goal of the city's workforce reflecting the communities we serve and my desire to employ 40 percent people of color. To make progress towards that goal and literally put our money where our mouth is, we have increased funding for our Human Resources Department by \$140,000 to recruit and retain more employees of color. We are investing in another class of Fire Medic Cadets to increase diversity in the Saint Paul Fire department. And we will continue to grow our Human Rights and Equal Economic Opportunity department. We will use our power as an employer to move more people of color into the middle class by using the city's considerable purchasing power to ensure contractors meet affirmative action and vendor outreach program goals.

\*\*\*Growing talent\*\*\*

In addition to growing jobs, we must remain steadfast in our efforts to create the workforce needed to support our current and future economy. This is borne out in the state demographer's warning earlier this year that the decade following 2019 is likely to see some of the biggest challenges to our labor supply – due to the state's aging population.

Here at Metro State University, building talent and creating pipelines to good jobs are the core of your mission. More than 38 percent of Metro State's student population includes people of color. Sixty-four percent attend school part-time, ensuring they can earn a paycheck even as they go back to school to learn a trade or earn a degree. Our strong state, community and technical college system here in the Twin Cities and across Minnesota is key to ensuring we can meet our goals of strengthening and growing the middle class. Because whether you are a military veteran in Saint Paul pursuing a new career in the construction trades, or an underemployed miner on the

Range seeking training to go into law enforcement, or a farmer in Austin looking to secure your business with 21st century technologies, we are in this together and we must continue to ensure education and job training and retraining remain a possibility for everyone in our communities.

This past year, I have had several opportunities to tour amazing outreach and apprenticeship programs led by some of our key Building Trades partners – from a Kids Build series to a union job and resource fair to an apprenticeship graduation. And this past legislative session, we worked alongside the Saint Paul Building and Construction Trades Council to secure \$2 million in funding for the Construction Careers Pathway (CCP) initiative. Programs like these help young adults – including young women and people of color – choose careers in the trades.

And, of course, getting a young person their first work experience continues to be key to their future success. That’s why I am pleased to announce that Right Track, our highly successful workplace readiness initiative, will continue to receive full funding in my 2017 budget. This summer over 600 Saint Paul young people were connected with summer jobs and internships through Right Track – and more than 90 percent of them were youth of color. This includes more than 150 advanced internships made possible by returning employers like Xcel Energy, who increased their commitment to Right Track, and new employers like Region’s Hospital, Health East and Securian Financial who joined us to make sure that Saint Paul’s young people have meaningful early job experiences that – when combined with a strong education – can show them a realistic pathway into the middle class.

We also boast nationally recognized Parks and Library systems. My budget will continue to fund our out-of-school time learning opportunities that reach thousands of children, igniting their creativity and imagination through programs like Summer Blast, Summer Spark, STEM and maker camps. And recognizing that Saint Paulites are lifelong learners, my budget will also fund workforce training, digital literacy programming and enriching programming for older adults.

Ten years ago we opened the new Rondo Library at University and Dale. At the time it was an innovative facility that combined housing, community meeting space and library services. It remains the most visited library in the city’s system. However, it needs investment to keep up with current demands by library patrons. I am pleased to announce a \$500,000 one-time investment in this jewel of the Rondo Community in my 2017 budget – to redesign the space to better support our Homework Help Center, workforce programs and designated areas for children and teen readers.

## **VI. Choosing a common destiny, investing in partnerships and community policing**

I present this budget at a time unlike any other in my tenure as Mayor. Important national conversations about the future of our country are being drowned out by bombast passing as political dialogue – particularly from one of the presidential candidates.

The events surrounding the deaths of Philando Castile in Falcon Heights and the police officers in Dallas and Baton Rouge have affected all of us, churning emotions and challenging beliefs. As the capital city, our officers are facilitating largely peaceful protests. But, the insulting taunts

directed towards officers on the streets and the vile, racist comments directed at protesters online fuel a narrative that we are deeply divided in a way that we cannot overcome.

In one of the most amazing sermons I have ever witnessed, Rev. Steve Daniels spoke at the funeral for Philando Castile. I listened as Rev. Daniels called upon all of us to come together. He said that unity is imperative to our survival. And I agree.

For me, one of the most moving images of the past month was a photograph taken by Twin Cities photographer Ben Garvin. As Philando's horse drawn casket passed by, a Saint Paul Police officer bowed his head, clasped his hands and stood silently in prayer on the side of the road.

We have so much more that unites us than divides us. We must stop talking past one another, walk that mile in each other's shoes, and lead the way by finding a common path and remembering our common purpose.

Here in Saint Paul, we are leading the way.

We are leading the way by continuing to build strong relationships between the community and those individuals sworn to protect and serve. Police Chief Axtell has long been a champion of engaging the community and, when he interviewed for the job, he talked about his vision for creating a Community Engagement Unit. I'm pleased to announce today that we will make that vision a reality.

My budget will fund three new full-time community engagement staff members to build true partnerships with communities of color. Combined with a \$500,000 grant from the Bremer Trust, this unit will continue to lead the way by ensuring thousands more children participate in our Police Athletic League, initiatives like the East and West African Junior Police Academy, and our Safe Summer Nights program – which has served more than 40,000 meals and brought thousands of community members into conversation and fellowship with their police officers in city parks throughout the summer.

Participating in Safe Summer Nights is one of my favorite things all year. I want to thank Dan Reardon of Bremer Trust, the hundreds of volunteers who help with these activities and the community members who serve on the Safe Summer Nights board of directors, including: Tom Champion, Bob Stupka, Jim Miley, Pete Orput and Kevin Moore. With your continued support, we will deepen the foundations of trust and the interest in law enforcement careers among communities of color.

We are leading the way in Saint Paul with an unwavering commitment to public safety, including efforts to reduce gun violence. There continue to be too many guns in the hands of too many people too willing to use them to settle minor beefs. Already this year, there have been 135 assaults and nine homicides with firearms.

After two people were shot and killed at Indian Mounds Park in April, we came together as a community to face down this ongoing threat. This proposed budget delivers on the promise I

made that day to add five additional officers to the department, bringing the sworn compliment to an historic 620, up from the 576 officers when I became Mayor over a decade ago.

But we also know that officers alone can't address the challenges we face. That is why this budget will make permanent \$150,000 in ongoing yearly funding to have Community Ambassadors on the street. We have also identified an additional \$50,000 in one-time funding to bring the total to \$200,000 for 2017. The Ambassadors work directly with our officers to divert the youth in our city from risky behaviors and connect them with jobs and programming at our libraries and recreation centers.

Recently, Chief Axtell and I had an opportunity to talk with President Obama about the success of the Ambassadors Program. During the first year of our Ambassadors program, we saw an approximately 30 percent reduction in crime in the geographic areas within which they worked. Just as the federal government has provided tremendous resources for us to hire officers, I hope one day a similar program will help cities across America hire ambassadors to work with our youth before police intervention is necessary.

We can only do this work in true partnership. And I want to thank leaders of the NAACP, African American Leadership Council, the Black Ministerial Alliance, and the God Squad for their continued support of city efforts to get guns off the streets, and redirect youth onto positive paths.

We are also leading the way in terms of training our officers. Following a model established with the Department of Justice and the Seattle Police Department, every officer in the Saint Paul Police Department received training during the past year on race equity, bias and institutional racism. Funding for this work as well, as de-escalation training, continues in my 2017 budget.

Of course, one of the other major pillars of public safety in our city is the Saint Paul Fire department. Our commitment to first class safety in Fire/EMS remains steadfast. Our firefighters and paramedics work hard year-round to keep our residents safe. My 2017 budget will ensure our Fire department maintains its daily staffing of 114. We have also identified one-time money to purchase new emergency vehicles and make sure our fire fleet is up to the job when we need them.

While I am proud of the investments I am making in our Fire Department, the creation of the Fire Fighter Health and Wellness Pilot Program is one of the most poignant. Last year we lost two of our Saint Paul Fire Fighters – Shane Clifton and Jason Woodbury. As a result of those potentially preventable losses, Deputy Mayor Beckmann and Council President Russ Stark, convened a taskforce to review measures that could be taken to improve the physical and mental health of our force. Based on the recommendations of that taskforce, we are investing \$200,000 in one-time money in a pilot project that is really an investment in the men and women we count on at the worst moments of our lives.

We are also engaged in ongoing conversations about how to improve response times and EMS service. Calls for service are up. But our outcomes remain among the best in the nation.



Residents and guests in our city receive first-class fire suppression service and high quality health care from our first responders and paramedics.

To better determine how and where Fire department resources should go, my budget provides \$100,000 in one-time money for a full analysis of key data, to be led by Deputy Mayor Beckmann and our Innovations Team, with key support from the Saint Paul Fire department. While the scope of the analysis will be finalized in the coming months, the team will likely explore demographic and population shifts in the city, first responder response times, outcomes for patient care, fleet and facility needs and resource deployment. The result will be a better strategic foundation for making future investment decisions in the department.

## **VII. Let us persist**

The budget I present today builds on the progress of the last decade. But it also recognizes that our work is not done. Success in Saint Paul didn't happen overnight. Like the waters of the Mississippi that persist over miles and over generations, we are on a journey. And as we reflect on our community's centuries-long obstacles to equity and to building an economy that brings more people into the middle class, let us not lose hope in the face of our ongoing struggle. Let us take heart in our ability to come together, to stay in dialogue and to push one another toward a common vision and a shared future. Let us persist. Together.