

State of the City – April 11, 2006

Mayor Clarence E. Phillips

City of Pontiac

Honorable City Council and All Elected Officials would you please stand: Distinguished Guests, Pastors and Citizens of Pontiac: Good Evening and welcome to the State of the City.

I stand before you this evening to talk about our city . . . where we were, where we are and where we are going. I remember a time not so long ago where jobs were plentiful in the City of Pontiac and the economy flourished. There were 35,000 daytime jobs in our city and in 2000, the city collected over \$17 million dollars EACH from State Shared Revenue and Income Taxes – annually. During those healthy economic times General Motors Corporation, who makes up thirty percent of our property tax base, employed thousands of Pontiac residents in its factories. Pontiac was home to the American Dream and people came from all over this country to work, play and live in our great city - People like Jack Bressler or Sally McAllister. When you meet Jack and talk about Pontiac, he has a contagious spirit that surrounds him. And Sally is another Pontiac crusader. She lets me know her love and loyalty for our city every time we talk. Harold Harris is not only a Pontiac champion but a true humanitarian. . and Judy Robinson has volunteered YEARS to the District Five Citizens District Council and truly loves neighborhood beautification projects. She is another advocate for our city . . . and I could certainly go on and on with names of PROUD citizens who live in our great city. Pontiac residents have high expectations and standards for this community. . and rightfully so. We are an exceptional people.

Without hesitation, I really do believe that our city employees are providing outstanding services to our citizens, and they are handling more responsibilities with fewer employees and a lot less money as well.

Praise to our city workers . . . the backbone of our city and especially those Employees who have been displaced because of our finances . . . let me just say that you are in the forefront of my mind and I know that you feel the pressure of these economic times. Every Tuesday when I sit down with my executive staff and department heads, we deliberate on city services, costs to provide these services and the employment level at which to continue these services. The challenges of these first 90 days as your Mayor have been numerous but overall, I feel that we have really accomplished a great deal. Time flies; ONLY THREE MONTHS!!

Without further a due at this time I would like to introduce those individuals who are responsible to oversee our departments, and who assist me with the monumental task of running city government. I would like every department head or director to please STAND to be acknowledged when you hear your name:

- Representing our Legal Department is the Director of Law Mark Hotz; Police Department: Chief Val Gross; Department of Public Works & Community Services, (the Community Services component was recently combined with DPW to save money) and BOTH departments are under the direction of Art Mitchell; and Director of the Pontiac Growth Group Director - Patricia Goodwin.**
- I would also like to introduce to you our nominees to complete our Executive Staff Team. .Larry Marshall, Director of Human Resources; Chief Skip McAdams of the Fire Department; and Ray Cochran, (CPA, MBA, LECTURER AND HIGHLY RECOMMENDED) our new Director of Finance; also Mayoral Assistants Eric Walker and Wayne Belback. All of my Executive Staff is highly qualified.**

Now to the financial crisis we face in the City of Pontiac. I shared with you the healthier times. . Now let us fast forward to April 11, 2006 and discuss some of the reasons why we are in this staggering financial quandary.

Earlier I mentioned the significant revenue sharing and income tax dollars flowing into our city. Today we collect nearly \$5 million dollars less in state revenue

sharing and more than \$3 million dollars less in income taxes yet AT THE SAME TIME; we are paying \$5 million dollars more in health care costs. THESE THREE FACTORS ALONE CREATE A \$13 MILLION dollar budget shortfall.

LET ME SAY THIS AGAIN: THESE THREE FACTORS ALONE CREATE A \$13 MILLION DOLLAR BUDGET SHORTFALL. And we didn't have a word to say about it.

The Phillips Administration began its operation in the middle of the 2005-2006 Budget Year. The Phillips Administration had no input into the situation that we are faced with today but we are not assessing blame. We inherited a financial crisis that certainly did not get this way overnight and believe me; it will not change in the near future. The good news is that my administration, with the help and leadership of the Pontiac City Council, has risen to the challenge of balancing the Fiscal Year 2005-2006 budget with the Deficit Elimination Plan, which has been amended and approved by the City Council and again submitted by the Phillips Administration to the State of Michigan. As of June 30, 2005 the following deficits have been addressed in the Deficit Elimination Plan: General Fund Deficit of \$31 million dollars; \$4.9 million in the Parking Fund, \$2.7 million in the Major Street Fund, \$800,000 THOUSAND dollars Local Street Fund, \$900,000 THOUSAND in the Capital Improvement Fund, \$1 million in the DDA Fund and \$9.7 in the TIFA II funds.

We have issued \$22 million dollars of Deficit Elimination Bonds; used \$2.8 million out of the Budget Stabilization Fund; Entered into a new agreement with General Motors Corporation that eliminated \$15 million dollars of debt in various funds, and issued \$10 million dollars worth of TIFA II Bonds, thanks to Oakland County, at a lower interest rate savings \$300,000, to cure the deficit in the TIFA II area. Please give a hand to County Executive L. Brooks Patterson and the Oakland County Board of Commissioners for their support to the Pontiac community in our time of greatest need.

To elaborate further, \$2.7 million in the Major Street Fund will be paid to the City by the State of Michigan over a period of time; \$800,000 thousand will be

addressed in the Major Street Fund by reducing expenditures over time; and the \$1 million deficit in the DDA area will be remedied by a reduction of expenditures in that agency as well. **REMEMBER:** These actions were taken to cure an inherited budget deficit from the Fiscal Year 2005-2006. Even with all of these measures in place, and the implementation of a five-year deficit elimination plan, we are not out of the woods because we now know that the numbers reveal an additional shortfall of \$6 million dollars, which means we will do everything to minimize the impact of the \$6 million dollars in the current fiscal year – 2005-2006. So because of this shortfall we will require a \$2-3 million dollar cut in the city's General Fund Budget, which may result in yet another revision to the Deficit Elimination Plan.

Ladies and Gentlemen, the City of Pontiac must be creative and find ways to **INCREASE OUR REVENUES** while continuing to make reductions in all areas of city government. **SO WHAT DOES THIS MEAN FOR PONTIAC CITIZENS?**

It means that city services will be affected; that more layoffs will take place.

We've worked very hard to bring our city financial records up to date and we are making great progress. We have estimated that 60 to 70 additional layoffs may be required, which represents roughly 10% of our existing workforce. City government must continue to downsize. We must restructure city departments; do more with less even though we are near bare bones operations in many departments already. We must continue to review every service area. We must work together as a team: city employees, unions and elected officials, along with our citizens, to make the hardest decisions we have ever been faced with in the history of our city. Because so many of the factors affecting the financial health of our community, **CANNOT BE CONTROLLED BY YOUR ELECTED OFFICIALS**, (health care costs escalating nation-wide, unemployment rates that have tripled) let us now take a look at what we have done, and what we are trying to do, to address some of these concerns:

- 1) The Department of Community and Human Services has been collapsed; we have eliminated the position of Director, reduced staff where

necessary and combined the day to day oversight and operations with the Department of Public Works & Services. While the physical transfer of the department and employees has taken place, we will not experience the full year's benefit of cost savings until Fiscal Year 2006-2007.

- 2) We have discontinued the day to day operation of the Community Centers. The costs to maintain the buildings and programs, without revenues to support the costs, leaves us with few alternatives as we prioritize the day to day services to our citizens. Being mindful that closing these centers had a definite impact on our youth, I asked staff to review the possibilities for a sports activity. So with everyone's help, we were able to host a Citywide Youth Basketball Program, which resulted in \$21,000 in revenues. We will continue to explore recreational programs for Pontiac's kids if financially feasible.
- 3) You would be amazed at the interest that our community centers have generated with nearby communities, organizations and churches. In fact, right now we are reviewing a lease option that would allow us to "share" two of our centers, with no cost to the city and yet still be open and available for use by our residents. If you are a part of a civic, social or faith-based organization, you may want to suggest a partnership with the City of Pontiac, which would help to support a sports program, or a community center. I will call for community based organizations, fraternities, sororities or other alliances to step up. I will also establish a Pan Hellenic committee to meet and advance this call for support of our youth and civic organizations.
- 4) We are taking a hard look at the city's assets: Golf Course, Phoenix Plaza and the city cemeteries. Right now staff is finalizing "Requests For Proposals" for the Pontiac Municipal Golf Course, which would solicit bids for either private management operation, or a possible lease or sale.

- 5) **The City of Pontiac can no longer afford to be in the entertainment business. We are moving forward with an RFP for the Phoenix Plaza and hope to have a manager in place as soon as possible. A plaza proposal should be able to offer the financial remedy we need while still provide a state of the art pavilion for cultural activities, concerts and events for our citizens. This RFP will be in the business community by the end of April.**
- 6) **Pontiac's two cemeteries, Oakhill and Ottawa Park, are being reviewed and assessed to see if they, too, can be privatized.**
- 7) **We are in the process of holding discussions with representatives from the Library of Michigan for a possible millage to offset expenses at the Pontiac Public Library. To help us champion this effort, we have secured funding with SMART in the amount of \$118,000 for staffing and oversight of this endeavor.**
- 8) **In cooperation with Dr. Mildred Mason, Superintendent of Pontiac Schools, and Ron Borngesser, Executive Director of the Oakland Livingston Human Service Agency, we can continue to offer the summer lunch program utilizing our schools. As Mayor, I was committed to keeping the summer lunch program because Pontiac's kids and Pontiac PARENTS count on it every year. Parents who struggle to work every day in the summer need a little extra help and I'm glad that we could be there for them.**
- 9) **It is impossible to continue providing services at our current rates so every service-related department is reviewing their fee structure for increases wherever it is feasible.**

Furthermore we are implementing cost reductions by eliminating vehicle allowances and "city cars"; cellular phones and city issued credit cards. We will hold the line on hiring, concentrating on necessary positions only and particularly those that are offset by outside funding, such as in the Sanitation Funds. Last but not least we are bringing the Finance Department in line and we will keep them in line. Strict control of EVERY AREA OF CITY GOVERNMENT is a mandate of the

Phillips Administration. A new cashiering system in the City Treasurer's office will allow us to realign staffing and avoid costly mistakes to our taxpaying citizens. Plans are already in place for an outside firm to maintain our financial records for the next 18-24 months, and to properly train our financial staff to a level of proficiency that is befitting a municipality such as ours. Our goal is to restore a strong, stable financial structure for the City of Pontiac.

Now let's look at the level of public safety services provided to Pontiac residents. First let me recognize the Pontiac Police Honor Guard for posting the colors. The Police Department has probably been hit the hardest by financial shortfalls and there have been many layoffs. As we continue to provide a high level of service, we are also being creative with public safety needs throughout the community, writing grants for federal dollars whenever possible. Also, several of Pontiac's apartment complexes have experienced a higher crime rate, necessitating excessive calls to the Police Department – sometimes 20-30 calls on a single day. So we have contacted these management companies to discuss creative ways of helping each other. . established Neighborhood Watch Associations and when possible, they have brought in private security companies. We have been able to increase crime awareness and what measures we need to implement to help the residents feels safe. Our Police continue to do more with less. Pontiac Police officers please stand and be recognized. Thank you for your diligent efforts.

The Fire Department is examining ways of increasing revenues while still providing a high quality of fire and EMS services to our community. Collectively we must examine all viable revenue sources and explore ways of reducing costs as much as possible. Chief McAdams and Fire Department personnel please stand and be recognized for your services to the City of Pontiac.

So . . . we have examined the most complex component of city government – where we've been and where we are. SO HOW DOES THE FUTURE LOOK?

HOUSING AND BUSINESS DEVELOPMENT

The Stonegate Pointe Community, Phase I, in TIFA development area #3, is now 55% complete with approximately 371 units. Another 300 lots are proposed as a

second phase, and a 90-acre site has been slated for research and technology offices. These investments represent \$61 million in new property values to the city of Pontiac.

- We have approached the Family Independence Agency regarding the relocation of D.S.S. offices to Oakland Pointe or downtown Pontiac.

In small business development, exciting things are happening through the efforts of our EDC and the Pontiac Business Development Center, which was organized in 2004. An innovative “INCUBATOR” program to help home-based businesses emerge into the Pontiac business scene is showing great promise with three new businesses and more on the horizon. The development center has already received more than \$50,000 in grants from local lending institutions. In turn these lending institutions have branched out to join the Small Business Technology Development Center. At this time I would like to recognize those lending institutions that are already on board as partners with the Pontiac Business Development Center: 1) Charter One, 2) Bank One/Chase, 3) Oakland Commerce Bank, 4) Fifth Third, 5) Comerica and 6) National City. Let’s give them a warm welcome and applause. We thank you. . and we need you.

In our downtown area the Streetscape Design will continue this spring with construction on the South end of Saginaw Street. Monies for this continued development will come from a State Grant and matching funds from the DDA. As Pontiac moves forward, we will continue to encourage and foster the development of businesses, collaborations and partnerships with other economic development entities and private investors.

In fact on a much larger scale, I have recently met with the Michigan Department of Economic Development to help us analyze the value and marketability of the Pontiac Silverdome. I, along with my Executive staff and members of the Pontiac City Council are progressing toward the organizational framework TO MAKE SOMETHING happen out there. We are losing precious time and dollars EVERY DAY that the stadium remains the financial responsibility of this community.

NOW LET'S LOOK AT LONG RANGE PLANNING, CDBG AND NEW DEVELOPMENT

Currently the city is updating their Long Range Land Use Plan. We will develop new goals and objectives to residential policy clusters, which will be an ongoing collaboration with the community. Some of the new developments we have secured include a new Tim Horton's, a 50,000 sq. foot medical clinic for Easter Seals, 65 new units for Presbyterian Village, retail centers, banks and self-storage facilities. Opportunities in Pontiac are available, believe me. We stand ready and willing to work with developers and builders. . Just give us a call. Pontiac IS OPEN FOR BUSINESS. Spread the word.

In our Block Grant Division, we have increased the number of new, affordable homes to low & moderate income families and first time homebuyers – 90 homes in this fiscal year alone, which is double the number of new homes last year.

Our Block Grant Rehabilitation Division has nearly tripled the number of completed jobs this fiscal year – from 12 to 33.

I am thrilled that Pontiac will be the new home to the United Postal Service, Northeast Metro Michigan processing and distribution center. This new facility will consolidate mail processing and district operations from facilities in Pontiac, Troy, and Royal Oak. General Motors has reaffirmed their commitment to Pontiac with an investment of \$163 million for retooling the Pontiac Truck Plant and another \$32 million will be invested in the Pontiac Metal Stamping.

For those of you who know me personally, know that Pontiac's seniors have always held a special place in my heart. Like it or not we are all growing older . . . we need to be mindful that our senior citizens offer us a wealth of knowledge. They are Pontiac's greatest historians. . The quality of a community very often is determined by the way it takes care of its youth and its seniors, and the Phillips Administration is here to watch over both. Unfortunately, senior citizens NATIONWIDE have become victims of programs promising financial freedom at a

high price: the loss of their homes. This is a serious issue; just ask Detroit's Legal Aide Society, who has their hands full with cases of predatory lending, or district and circuit courts who see this travesty every single day. To help guide you, our local cable access channel is running my community awareness program on Predatory Lending. BE AWARE, Pontiac seniors. I want to thank Chief Judge Leo Bowman and Deputy Director Michelle Hall-Edwards for their assistance in making this program possible.

There is also a new, Affordable Assisted Living pilot program in Pontiac, which is designed for those who are in nursing homes but COULD HAVE BEEN in assisted living programs instead. Thanks to American House Senior Living Residences and the Area Agency on Aging 1-B, Federal HUD monies will be distributed through the Pontiac Housing Commission and my office to place approximately 50 seniors in assisted living programs.

Thanks to Jeff Love and Baker College of Auburn Hills, for developing the HOPE Scholarship is available for laid off city employees. Credits can be earned to complete an associate or bachelor degree.

We are also looking at a Job Retention Program for employees of our three hospitals entitled, "The Delta Strategy." This program has been very effective in other communities and is designed specifically for hospital employees.

Now for a little fun stuff . . It's been a long winter so if you have a chance this summer, come on down to Pontiac's festivals. . Arts, Eats & Beats, or the Woodward Dream Cruise. And the Second Annual Metro-Michigan Scholastic Jazz Band Competition will be a part of summer happenings in Pontiac on Memorial Day Weekend. You can't forget about our veterans on Memorial Day, either. We are excited that a Veterans Monument will be dedicated to ALL PONTIAC VETERANS on July 7th. A Pontiac Memorial Veteran Scholarship will also be sponsored by General Motors Corporation and the Oakland County Veterans Group.

CLOSING

Before I close I would like to recognize those residents who sometimes feel forgotten. . these persons serve a vital advisory purpose. . they have the pulse of the community in their head and the best of the community at heart .. These are Pontiac's CITIZEN VOLUNTEERS.

**Please stand if you are a volunteer on a City of Pontiac Board or Commission;
Please stand if you are a member of a Citizens District Council, Block Club or Coordinating Council;
Please stand if you volunteer your time at a hospital or nursing home;**

And a very special thank you to our public school teachers, who give so freely of their time and energies to help our children; school administrators and the Pontiac School Board. I also want to share the vision of a great leader of our nation, Franklin Delano Roosevelt, in his first inaugural address to the nation.

He said:

"THE PEOPLE HAVE MADE ME THE PRESENT INSTRUMENT OF THEIR WISHES. IN THE SPIRIT OF THE GIFT, I TAKE IT WITH HONOR AND RESPECT AS I CAN DO NO LESS. I BELIEVE IT IS IMPORTANT FOR US TO ALWAYS REMEMBER THAT WE HOLD OUR ELECTIVE OFFICES AS A GIFT . .GIVEN TO US BY THE PEOPLE WE SERVE. WE OWE IT TO THEM TO USE THE GIFT WISELY AND FOR THEIR BENEFIT."

MY ADMINISTRATION IS COMMITTED TO BRINGING PONTIAC BACK AS THE STRONG, HEALTHY COMMUNITY IT ONCE WAS.

AS YOUR MAYOR I AM RESOLVED TO RESTORING OUR GREAT CITY . . I AM COMMITTED . . AND I WON'T LET YOU DOWN.

**GOODNIGHT AND GOD BLESS EVERYONE
AND GOD BLESS THE CITY OF PONTIAC.**

