

## 2013 STATE OF THE CITY

Good evening, and thank you.

To the Honorable Detroit City Council, Detroit City Clerk Janice Winfrey, Wayne County Executive Robert Ficano, Oakland County Executive L. Brooks Patterson, and Macomb County Executive Mark Hackel — thank you all for joining us tonight.

I also want to thank my family for their continued support. I extend a special thanks to my friend Roy Roberts and Detroit School of Arts Principal Ahna Felix-Brown for allowing us to come together tonight in this state-of-the-art facility. I especially want to thank the DSA students and their families who are here tonight. Some of the students are getting hands-on experience working with our production team.

And most of all, I thank you, the citizens of Detroit, for your commitment to this City. In spite of the many challenges we are facing together, Detroit is experiencing a transformation.

Despite our much-publicized financial issues, there is progress to report in the City of Detroit. The picture is not all “doom and gloom.” Everyday there are more signs of hope and possibilities. Like many Detroiters, I too am a fighter. We can’t – and won’t — give up on our City.

It is often said that you can’t understand where you are going if you don’t understand where you have been.

It is fair to say that our City was in a financial crisis when I took office in 2009. My predecessors may not have acknowledged that fact, but I did. My administration inherited a \$332 million accumulated deficit, in addition to \$13.8 billion of long-term liabilities.

We were immediately thrust into the enormous task of managing this crisis. And that is exactly what we have done. Despite the naysayers’ predictions, there have not been any payless paydays. No Emergency Manager to date. And no declaration of bankruptcy for the City of Detroit.

However, a financial emergency still exists and requires our urgent attention. Time is not our ally. Our cash flow issue threatens the present and future of our City.

The options are not pretty. But the consequences are even less attractive.

As Michigan’s largest city, Detroit is often expected to carry the load and make the bigger sacrifices. Of course, that means our City suffers the most. We are expected to do more with less. We all know how difficult — and sometimes impossible — that can be.

We also need to put into perspective the State’s role in our city’s deficit over the years. Since 2001, State revenue sharing to Detroit has been consistently reduced. Last year, we received \$93 million less than in 2009, when I took office.

And when you look at the bigger picture, the impact is even more apparent. The total amount of cutbacks in State revenue sharing to Detroit over the past eleven years is more than \$700 million. Detroit's current general fund deficit is \$327 million.

So, it is clear that if Detroit had received its agreed upon share of revenues from the State, our financial picture would not be as grim today.

Since taking office in 2009, my Administration has undertaken a comprehensive review of our City's budget, finances and operations.

I have made some difficult decisions.  
And I've made some unpopular decisions.

But nonetheless, they were decisions that had to be made to save Detroit and our residents from an uncertain future.

Here is what my Administration has done to offset our critical shortfall in revenue:

- We reduced the City's spending from \$1.4 billion for fiscal year 2009 to a projected \$1.1 billion for fiscal year 2013.
- We have reduced the number of employees on the City's payroll from 13,420 to 9,696. As a result, the City's payroll and benefits' costs have been cut by nearly a half-billion dollars. Although we have reduced the employee head count, we are maintaining basic services for our residents.
- We have transitioned the services of three City Departments to outside organizations. First, many of the services offered by the City's Health Department are now being provided by the newly-created Institute for Population Health. The transition to a public-private partnership has saved \$4 million in administrative costs, which can now be used directly toward health services for our residents.

Next, the Detroit Workforce Development Department has transitioned to a non-profit organization, Detroit Employment Solutions. Moving the operations has resulted in a number of benefits, including a 20-percent decrease in operating expenses . . . a more efficient and effective delivery of services . . . and better management and control of fiscal operations. Detroit Employment Solutions expects to increase job placements by 30-percent this year and service 50-percent more customers.

And, the work of the Human Services Department is in the process of being spun off to independent service providers, with the goal of achieving significant cost savings and improved operations.

In addition to identifying ways to save money, my administration developed a plan to bring in additional revenues of up to \$50 million. These revenue enhancement initiatives include improved operational and billing systems in various City Departments. We have instituted aggressive collection efforts for delinquent accounts. We are selling some City-owned assets, including the Veterans Memorial Building and Herman Kiefer Health Complex. We also launched an income tax amnesty program allowing individuals and companies to pay up without the hefty penalties. So far, for the first six months of the

current fiscal year, income tax cash collections totaled more than \$133 million — up 7-percent from 2012.

The Buildings, Safety Engineering and Environmental Department has increased fee collection by 41-percent to nearly \$10.8 million . . . and the Fire Marshal's office has seen its fee collections for fire inspections grow by an astounding 720-percent to over \$1.1 million.

I would like to thank my Leadership Team for leading the progress that we have achieved as a City. They have done an incredible job. Please stand and be recognized.

And I want to thank all of our city employees who have worked diligently during this process. Their continued commitment to the City is greatly appreciated.

As you know, the City is currently operating under a Financial Stability Agreement reached with the State and approved by City Council. A Financial Advisory Board was created to oversee our progress in reducing the City's deficit.

Under the agreement, I brought in Chief Financial Officer Jack Martin and Program Management Director Kriss Andrews to lead our efforts to reform City operations and stabilize finances. We identified 25 Reform Initiatives to address chronic problems with City processes, management and budget.

Tonight, I am pleased to report significant progress in many areas.

Our proposal to create a Detroit Public Lighting Authority that could invest as much as \$160 million in infrastructure upgrades was backed by State Legislators and most recently by our City Council. Their votes of approval pave the way to begin turning on lights THIS year.

We have already repaired or replaced thousands of streetlights and installed hundreds of energy-efficient LED street lamps in many areas. And make no mistake; The City of Detroit will retain ownership and control of its public lighting system. And Detroiters will participate in the decisions on how our City will be lit.

In the area of Transportation, we have made strides in improving our City bus system. Innovative programs have been implemented in order to provide good customer service. For example, DDOT's "415 Plan" guarantees the arrival of a bus every fifteen minutes on its four busiest routes. And, the new "Text My Bus" service uses cell phone technology to let riders know the exact arrival time of their bus. To date, nearly 400,000 text messages have been transmitted. A new GPS system installed on City buses allows DDOT to know the locations of all buses at any given time. As a result of these innovations, DDOT has experienced a significant reduction in customer complaints and ridership remains steady.

The City has begun the process of outsourcing its payroll and benefits functions to ADP, a business services provider. This move will upgrade the City's 35-year-old payroll system to a state-of-the-art payroll platform. It will save the City approximately \$10 million per year.

And, we launched Operation Compliance to crack down on illegally-operating businesses. So far, we have shut down 50 businesses for operating without proper permits, failing to comply with correction orders and annual inspections, or having past due fees.

Through Operation Compliance, we are sending a clear message to illegal businesses that often contribute to City blight and crime. We want you to do business in Detroit; We just want you to do it legally.

From the beginning, my administration has placed a priority on Public Safety for our citizens. Last year, the City recorded an overall decrease of nearly 3-percent in major crime categories . . . despite an increase in the homicide rate. Are we concerned about the homicide rate in Detroit? Of course, we are. Gun violence here and in cities across the nation has reached epidemic levels.

We are all fighting the same battle — trying to reduce crime throughout our City. As I have said repeatedly, the fight against crime must involve EVERYONE. Our elected officials. Our churches. Our schools. Our community groups. Our businesses. We all have a role and a stake in the outcome.

Our Police Department is sworn to serve and protect our citizens. And that commitment is practiced on a daily basis by the fine men and women of the department.

It is impossible for law enforcement to be everywhere to prevent a crime from happening. But certainly, the presence of more police officers on the street is an effective deterrent to crime.

To that end, Police Chief Chester Logan has taken the lead on restructuring the Detroit Police Department so that it can operate more efficiently and reduce crime more effectively. He has redeployed and reassigned police officers to patrol areas with higher reports of criminal activity.

This spring, the department will move an additional 100 officers to the streets or to criminal investigations. When the restructuring is completed, we will have 80-percent of our police officers on patrol . . . 15-percent in the investigative unit . . . and only 5-percent in administration.

Late last year, we re-opened eight police mini-stations in our neighborhoods. Six more will open by this spring. The mini-stations mark a return to community policing and bring our residents closer together with law enforcement.

I would like to thank GalaxE Solutions of Detroit for its commitment to upgrade our computer systems in each of the mini-stations.

Roughly half of the mini-stations are located inside our City's recreation centers. Combining public safety and recreational services is another way to revitalize our neighborhoods and create a closer bond between our youth, senior citizens and police.

In an effort to fill the gap created by our financial crisis, my administration launched a three-year campaign called "Active and Safe Detroit." Our goal is to raise \$60 million to keep our 17 recreation centers open and to provide the latest equipment and training

for police and firefighters. This initiative is led by the Detroit Public Safety Foundation and brings together public and private supporters who are committed to creating a safer city. To date, the Foundation has secured \$15.5 million in pledges.

Last week, I met with the top CEOs of metropolitan Detroit businesses to ask for their assistance in raising the additional \$45 million to reach our goal.

Several other funding sources and initiatives are helping to strengthen our Police and Fire Departments.

For example, the jobs of 75 police officers were saved when my administration worked with the U.S. Department of Justice to secure a \$5.7 million COPS grant.

Similarly, we prevented 108 layoffs in the Fire Department, thanks to a federal SAFER grant. Plus, 26 firefighters were re-hired.

FEMA grants totaling nearly \$30 million are paying for two years of salaries and benefits in the Fire Department, as well as the purchase of new equipment and protective gear.

A \$1.5 million federal grant enabled the Detroit Youth Violence Prevention Initiative to launch Operation Ceasefire, which focuses on reducing gun-related crimes. This project connects law enforcement and social workers with young offenders to direct them away from crime.

Last year, the Youth Violence Prevention Initiative also participated in the boarding up of dangerous, vacant homes in the communities surrounding Osborn and Cody high schools to create safer routes for students.

We started a program in the Grandmont-Rosedale community designed to reduce home invasions. Based on the "Broken Windows" theory, this initiative encourages residents to be on the alert for even the smallest of problems in their neighborhoods, so that police can prevent major crimes from occurring.

Within the next month, Chief Logan will introduce a collaborative crime reduction strategy called, "Detroit One." Working together with local, state and federal law enforcement, we will focus on identifying and prosecuting gun users . . . dismantling violent gang organizations . . . and engaging the community's support. The goal is to reduce violent gun-related crimes by 25-percent this year.

And finally, after years of talk and promises from other administrations, THIS administration has led the way for the construction of a new, state-of-the-art \$60 million Public Safety Headquarters opening later this year. The building will consolidate the operations of our Police, Fire, EMS and I.T. departments with Homeland Security and the Michigan State Police Forensic Lab. This new, streamlined operation will save the City more than \$2.7 million.

The other overpowering issue impacting our residents is the increasing amount of blight that has damaged the image of our neighborhoods. Illegal trash dumping . . . abandoned homes that have been burned and stripped . . . overgrown vacant lots . . . and structures that have become havens for criminal behavior.

It is time to transform the image of Detroit, and we must do it by working together. Too often, people focus only on the negative things in our City.

Beginning tonight, it is time to change the conversation about Detroit. It is time to focus on the many positive changes taking place.

My administration is leading several major initiatives aimed at transforming our neighborhoods into vibrant communities.

When I took office, I vowed to demolish 10,000 vacant and dangerous structures throughout our City during my first term as Mayor. To date, this administration has knocked down nearly 6,700 vacant properties. We will reach our goal by the end of this year.

One of the largest demolition projects we will undertake this year involves the Frederick Douglass Homes — known to many longtime Detroiters as the Brewster Projects. I spoke of our commitment to demolish the complex in last year's State of the City address. We have now secured \$6.5 million from the U.S. Department of Housing and Urban Development to tear down this huge eyesore on the City's near east side. The property has been vacant since 2008 and has become a breeding ground for criminal behavior. By the end of the year, this prime location will be ready for commercial and residential redevelopment.

I would like to thank the federal "Strong Cities, Strong Communities" initiative for its assistance in getting this major demolition project underway.

The Ford Motor Company Fund showed its commitment to strengthening our neighborhoods by making a \$10 million investment in Southwest Detroit. The new Ford Resource and Engagement Center, located in Mexicantown, will be the focal point of a program offering job training, cultural services, a community food pantry, recreational activities, and summer camp for youth.

We are also using funds from HUD's Neighborhood Stabilization Program to make substantial improvements in some of our neighborhoods hit hard by foreclosures. More than \$110 million has gone toward demolishing blighted structures, building affordable housing, and renovating existing properties.

I want to thank all of our partners who are helping us to stabilize and re-populate our neighborhoods: the community organizations, developers, financial institutions and the Detroit Land Bank Authority.

We are so much better, when we work together.

Tonight, I am excited to announce a new partnership that will strengthen our fight against blight in Detroit. Bill Pulte of Pulte Homes, one of this country's largest homebuilders, has created a private, non-profit group called the Detroit Blight Authority. The group is working with my office to eliminate blight . . . neighborhood by neighborhood . . . street by street.

The Blight Authority consists of several Detroit stakeholders, including: The Kresge Foundation . . . DTE Energy . . . Michigan Caterpillar . . . MCM Demolition . . . Luke's

Services . . . Honigman Miller Schwartz and Cohn law firm . . . and retired Lieutenant Colonel James Henderson.

This group has a bold agenda.

For its pilot project, the Blight Authority removed blighted structures, and cleaned up debris in a 10-block area across the street from the Detroit Edison Public School Academy near Eastern Market. They are recycling over 80-percent of the debris collected and re-seeding the site to prevent the growth of weeds. The elimination of blight gives Detroit Edison students a safer route to school. And it means a cleaner and safer neighborhood.

Bill Pulte and his grandfather, William Pulte — the founder of Pulte Homes — along with retired Lieutenant Colonel James Henderson are in the audience tonight. Please stand and be recognized.

We look forward to future projects and news from the Detroit Blight Authority. Thank you, partners in the Blight Authority, for joining us in transforming Detroit.

A little over two years ago, my administration launched the unprecedented Detroit Works Project. The goal of the project is to improve our neighborhoods — in the short term and long term.

Tonight, I am pleased to announce that we are expanding the Detroit Works Project Short Term Actions track to THREE additional neighborhoods: Jefferson-Chalmers, The Villages, and Russell-Woods. These communities will join our three current demonstration areas: the North End, Southwest Detroit and the Palmer Woods – University District area.

These new demonstration areas will receive infrastructure improvements and other enhancements. The changes taking place in these neighborhoods — like the others — will serve as models for redeveloping additional areas throughout our City.

Just last month, the Long-Term planning for the Detroit Works Project culminated in a strategic framework for our City's future. This comprehensive guideline was developed with input from all of our city's stakeholders — residents, businesses, community groups, non-profits, and philanthropists.

The plan, titled "Detroit Future City," offers strategies on creating vibrant neighborhoods, the best use of land, and job growth.

Today, the Detroit Economic Growth Corporation and our community partners are leading the charge to implement aspects of the plan to improve the quality of life for all Detroiters. This blueprint for the City will live on for years to come.

Often, I hear people say that the City's administration only cares about building up our Downtown and Midtown areas and not our neighborhoods. As you have just heard, that is not true of this administration.

Businesses are investing in Detroit because my administration has proven that it is not "business as usual" in City Hall. Corruption will not be tolerated. We have created an environment of integrity and trust. There is no "Pay to Play" requirement in this

administration. Today, there is a level and fair playing field. And the process for doing business in Detroit has improved. For instance, the City now has “one-stop shopping” for businesses wishing to obtain permits.

All of these improvements have made a difference. The Detroit Economic Growth Corporation reported more than \$584 million in business investment in the city last year — bringing in over 5,000 jobs.

Since 2009, the DEGC has assisted with projects totaling more than 2-billion dollars and producing nearly 26,000 jobs. And the list of people and businesses investing in Detroit continues to grow.

For example, in addition to investing \$198 million and creating 250 new jobs at its Mack Avenue Engine One plant, Chrysler moved 70 employees to the downtown Dime Building — recently purchased by Quicken Loans Founder and Chairman Dan Gilbert.

Over the past two years, Dan has gone on a shopping spree of sorts — purchasing a total of 15 downtown buildings. More than 7,000 employees from his portfolio of businesses have moved downtown. And, he recently announced plans for the construction of a huge retail and office development. Thank you, Dan, for all you are doing to breathe new life into our historic buildings and revitalize downtown Detroit.

And another huge City supporter, Red Wings owner Mike Ilitch, is in talks with the Downtown Development Authority to potentially bring a \$650 million sports and entertainment complex to downtown Detroit.

I also want to thank the other members of the business community who had enough confidence in our City to move their companies here. Plus, I want to thank the businesses that stayed here when they could have gone elsewhere.

For example, we faced the prospect of General Motors moving its headquarters out of the Renaissance Center. But we kept GM in Detroit. More than 5,000 GM employees remain a vital part of downtown.

Blue Cross Blue Shield of Michigan doubled the amount of employees working in Detroit to nearly 6,000 when it re-located almost 3,000 workers to the City from the suburbs.

There are many other projects changing the face of Detroit’s business landscape — and making history. The first Whole Foods Market in Detroit will open later this year in Midtown, creating 60 to 80 new jobs.

Detroit will get its first Meijer store this summer when the \$62 million Gateway Marketplace shopping center opens on Eight Mile Road at Woodward. Plans are underway for a second Meijer store to be built on the site of the former Redford High School in Northwest Detroit.

Detroit’s business growth has been significantly impacted by minority entrepreneurs:

- The Gateway Marketplace project is led by African-American investors Marvin Beatty, Ricardo Solomon and Elliott Hall.

- George Stewart and Michael Byrd are renovating the historic Garden Theater and constructing a mixed-use development in Midtown.
- Chris Jackson and Jim Jenkins are building a new medical office building near the Detroit Medical Center.
- Michael Roberts' global empire now includes the former Detroit Omni Hotel on the Riverfront.
- Local African-American auto mogul Greg Jackson recently purchased the Lafayette Towers Apartments.
- Native American businesswoman Andra Rush is investing nearly \$30 million and creating almost 600 new jobs with the opening of Detroit Manufacturing Systems.
- And, bank executive Richard Hosey is a partner in the renovation of three historic buildings in downtown's Capitol Park district.

These men and women are believers in Detroit. Please stand and be recognized.

There is no doubt about it. Working together, we can transform Detroit.

Last month's large crowds at the North American International Auto Show got its first glimpse of Cobo Center's \$300 million makeover and expansion — slated for completion next year. However, just four years ago, Cobo was in such bad condition that the City was on the verge of losing the auto show. In order to keep this premier event in Detroit, we strengthened our regional relationships and created the Detroit Regional Convention Facility Authority.

This authority oversees Cobo's expansion and operations. And we now have a new five-year contract with the Detroit Auto Dealers Association to continue to hold the Auto Show at Cobo, and in Detroit.

Similarly, a Regional Board was formed to protect another of our City's valuable assets — water. The Board of Water Commissioners oversees the operations and management of the Detroit Water and Sewerage Department. The members represent Detroit, Wayne County, Oakland County and Macomb County.

And, in yet another win for the entire region, we were successful in our efforts to create a Regional Transportation Authority and obtain federal funding for the M-1 Rail system on Woodward Avenue. Detroit is finally getting a light rail system, nearly six decades after the City's last streetcar was replaced by a bus.

Last month, outgoing U.S. Transportation Secretary Ray LaHood recognized the extraordinary efforts behind this transformation and presented the City with \$31 million to jumpstart the rail system and the Regional Transportation Authority.

Construction on the M-1 Rail project is scheduled to start this summer. By 2015, residents and visitors will have a new option for travelling between Downtown, Midtown and the New Center areas. The 3.3-mile streetcar line will create jobs, drive economic growth, and revitalize the historic Woodward Avenue corridor.

Both the M-1 Rail and Regional Transportation Authority represent bold and progressive changes for the Motor City. Several people have supported this growth and vision. First and foremost, I want to thank the public-private partnership that backed the M-1 Rail and stepped up to the plate to commit \$100 million to this project.

My appreciation goes to everyone who has worked diligently to make this long-awaited dream a reality — The Kresge Foundation President and CEO Rip Rapson, Roger Penske, Dan Gilbert, the Ilitch family, Peter Karmanos, and numerous companies, educational institutions and healthcare systems.

And I thank the state legislature for backing the creation of a Regional Transportation Authority to put Detroit on track with other major cities that have mass transit systems.

Tonight, I am proud to announce my appointment to the Regional Transportation Authority Board. She is a lifetime resident of Detroit and represents an underserved population as President of Warriors on Wheels. Ladies and gentlemen, please recognize and thank Lisa Franklin for accepting this appointment.

While we can proudly point to all of these successes, my job is not done — and neither is yours — until we have made a difference in the lives of ALL Detroiters.

As I have said since the beginning of my term as Mayor, my vision for transforming Detroit centers around four key areas: Public Safety . . . Public Lighting . . . Public Transportation ... and Neighborhood Blight. As you have just heard and seen, my administration has made progress on these initiatives. And I remain committed to bringing about further change so that our citizens can live in a City that is safer and provides the quality services they deserve.

Finally tonight, I would like to thank the men and women of Engine House 40 for their ongoing "Support of Burned Out Families" program, which helps families who have lost everything in house fires. For the past 20 years, more than 40 families have been supported through the firefighters' program.

This past Christmas Day, I had breakfast at the firehouse with the firefighters and the recipient family. I experienced the love and support that was provided to the family. The firefighters cooked meals for them and provided toys, gifts and clothing.

As I have said all along, we can accomplish wonderful things when we work together. So, in partnership with the Detroit Rescue Mission Ministries, yesterday we presented Tamara Feagin with a formerly vacant house that will be renovated and become a new home for her and her family.

Ladies and gentleman, a round of applause for Tamara, her daughters Dorian and Sydney, and her mother Glendora . . . along with members of Engine House 40.

This is what happens when we all work together.  
We will and we must transform Detroit . . . one neighborhood and one family at a time.  
Thank you and goodnight.