

Mayor John Peyton  
FY 2010/2011 Budget Address  
Jacksonville City Council Chambers  
Wednesday, July 14, 2010

Good morning. Mr. President, members of the City Council, honored guests, fellow employees and citizens of Jacksonville: I am honored to be here today to deliver the final budget of my administration.

First, I would like to recognize Council President Jack Webb and the leadership he has shown in preparation for another challenging budget season. President Webb assembled his finance team last month. I've had a chance to meet with each of them individually. The experience of this group – mostly past presidents and finance chairmen – is a tribute to his thoughtful stewardship and understanding of the city's financial challenge.

Also, I look forward to working with Vice President Stephen Joost. As finance chair this past year, he led this city through one of the most challenging budget discussions we've had since I took office. Thanks to his steady leadership, we persevered and worked to define the kind of city we want to live in.

I also want to thank former Council President Richard Clark for his service this past year. It was certainly a tough year to lead, and I appreciate the sacrifices he and his family made in the process.

Today marks the eighth budget I will present to this City Council for approval. Before we get into the budget detail I want to take a moment to celebrate our city.

As community leaders we often get caught up in the day-to-day business of running government. And frankly it's easy to miss the forest for the trees. But we do need to remind ourselves that we live in a great city, in fact, one of the best in the country.

Don't believe me? Just ask Jacksonville native Mildred Brown who just turned 100 years old last month. She spends her days at Lincoln Villa Senior Center. She lives on the Northside – where she raised her kids, grandkids and great grandkids. She'll tell you she wouldn't have it any other way.

Or ask Master Chief Johnny Stewart, who fell in love with our city after 29 years in the Navy and 14 duty stations. After retiring from the Navy in April, he and his family chose to make Jacksonville their home.

Ask David Brown. He could run his national web design company, *Web.com*, from almost anywhere. He chose Jacksonville because of our talented workforce, affordable cost of living, and great quality of life.

In these challenging times, it would be easy to become paralyzed by our slow economy, high unemployment rate and a collapsed housing market. But as leaders in this

community, we can't sit idly by. We must maximize every moment by creating new job opportunities, improving our city's quality of life, ensuring the safety of our citizens and laying a stronger financial foundation.

But let me remind you. As residents of Jacksonville, we have a lot to be thankful for.

**Jacksonville is a great city because** of partnerships that result in new job creation and expansion. Together we have built Jacksonville's reputation as one of the most business-friendly cities in America. But no one person is responsible for our success. It requires the collective contributions of the Chamber, the JEDC and this Council. Since 2003, more than 81 companies have either relocated or expanded their operations in Jacksonville.

We've celebrated big-name investments such as SAFT, Fidelity Investments, Pilot Pen, Deutsche Bank, Everbank and Bridgestone-Firestone.

With those expansions and others, we've added more than 14,000 new jobs ... and those aren't just any jobs. The average wage for those employees is about \$50,000, 17 percent above the national average. And we are doing this with an economic development staff that is nearly half the size it was when I first took office.

Together, we recently celebrated another huge victory for job creation and tax base expansion when you approved a new master developer for Cecil Commerce Center.

When we arrived at City Hall in 2003, Cecil was still a large, quiet tract of land located between the pine trees and marshlands on Jacksonville's Westside. With the industry expertise and capital investment of Hillwood, we expect Jacksonville's Westside to realize its potential as a major employment hub for manufacturing, transportation and logistics.

While government doesn't create jobs and businesses, it can provide the climate for them to prosper. And our efforts are working.

According to Portfolio.com, Jacksonville is the 13<sup>th</sup> best place in the nation to launch a new business in 2010. That's up from 25<sup>th</sup> last year. And the Kiplinger report also ranked our city sixth among the top 10 tax-friendly cities in the nation.

In May, I traveled to New York to meet with executives in the financial sector who have significant operations here in Jacksonville. All indicated that Jacksonville was the preferred location to grow their business.

They list our moderate housing prices, a strong work ethic among employees, quality of life and low tax burdens as the primary drivers for Jacksonville's success. In fact, I expect announcements in the coming months, putting more people back to work and growing our tax base.

I am proud of the fact that during our watch our port authority is realizing our dream for opening trade lanes to Asia. This direct service from our trade partners in the Far East will take advantage of the nearly 45 million consumers who live within an 8-hour drive of Jacksonville.

It is our strategic location and tremendous transportation infrastructure that allows our port to contribute more than 65,000 jobs and nearly \$19 billion to the local economy. And with the expansion of the Panama Canal in 2014, our city's share of trade will continue to grow well into the 21<sup>st</sup> century.

Over the next 12 months, one of my top priorities will be marshalling the state and federal resources to deepen the channel in our river and improve Mile Point where the St. Johns meets the Intracoastal. These are critical steps for ensuring our port is among the most competitive on the East Coast.

And while our port connects us to the world, it is important to protect those institutions and organizations that keep us on the map. And that leads to my next topic, the Jaguars and the NFL.

Jacksonville historically has always been a sports town but it's the Jaguars that have cemented our reputation as one of the top sports cities in the nation. It is impossible to imagine this city without this team – a team we collectively worked so hard to secure. We are one of 31 cities in the country that has the privilege of hosting the NFL – a distinction other cities will do almost anything to secure.

That's why last fall I convened a meeting of Jacksonville's top community leaders. My charge to them was simple: no more blackouts. Buying tickets to Jaguars games is the most tangible way we support our team.

Through our leadership at City Hall and the energy of Team Teal, our citizens have responded. The people of Jacksonville have bought more than 12,000 new season tickets this year, which is 11,000 more than were sold this time last year.

That is worth celebrating.

Ensuring the health of our NFL franchise will continue to be a critical priority for us until the stadium seats are filled.

For the past eight months, Carl Cannon and his leadership team – including Tony Boselli – have worked tirelessly to ensure that our city remains a viable NFL city. Thank you to Carl and the thousands of fans who've joined the Team Teal effort. We are on path to celebrate another great season this fall.

I believe Wayne and Delores Weaver are two of the best owners in the entire league. And I know first hand they love this city and are committed to Jacksonville's success.

But the decision to keep the team in Jacksonville is a simple business equation. It is our job to ensure Jacksonville is a good long-term investment.

We cannot – and will not – lose this team.

**Jacksonville is a great city because** of our great outdoors. Together we have improved our park system, enhanced river access and worked to improve water quality of the St. Johns River.

No other region boasts the natural resources found right here in our backyard. Where else can you explore more than 20 miles of Atlantic coastline and dozens of creeks and tributaries that feed into our river? Want to go hiking? There are more than 100 miles of trails to choose from. Water ski in Cedar Creek, or put your boat in at one of the two dozen boat ramps throughout the county.

Our natural resources are what make living in Jacksonville great. And because we live better, we will certainly be able to attract the kind of jobs that will raise our per capita income.

That's why we're continuing our investment in our parks. This year's budget allocates resources to develop more trails, boat docks, facilities and improved access at various parks and preserves throughout the county.

As we work to improve access to the St. Johns River, we are also dedicating more resources to hasten the cleanup of our greatest asset. Since the creation of the River Accord, we've made conservation and protection of our natural resources a top priority.

We love our river. And we want our children to be able to enjoy it with their children. And we must leave it better than we found it.

That's why tomorrow, Council President Webb is convening river stakeholders and agency leaders to discuss recent fish kills and early algae blooms. I commend President Webb on making the river central to his term.

This budget represents more than \$16.7 million in stormwater projects that have both a flood control and water quality component. On top of this investment this budget dedicates an additional \$2 million to new technologies that allow us to improve the quality of our river by using low-impact development principals.

This budget also dedicates another \$2 million to septic tank phase-out along the banks of our waterways. To comply with federal and state mandates, we must phase out more than 16,000 septic tanks within 300 meters of the river and its tributaries.

The community must play its role, too, by adopting Florida-friendly landscape practices on new residential and commercial development. Working with our Duval Delegation

and federal officials we will tap into all potential resources that can improve the health of our river.

And by the way there is no greater place to celebrate and enjoy our river than downtown.

**Jacksonville is a great city because** of the foundation we're laying for a revitalized downtown. Together we have worked to create an environment that will draw people back to our urban core.

Downtown is the smartest investment we can make. Think of places with great downtown districts like Nashville, Greenville, Asheville, Charlotte and Chattanooga. These are cities that have turned the corner and Jacksonville should be among them.

While our population is forecasted to double in 30 years, it is smart business to encourage people to live and work in areas that reduce commute time, are designed for density and loaded with amenities.

By focusing on public spaces downtown, we can spur private development. That is why, with Council's help, we are investing in downtown and its riverfront spaces.

This includes reworking Laura Street to become the most walkable street in Jacksonville, the revitalization of Friendship Fountain, the replacement of the Southbank Riverwalk and the greening of Metropolitan Park. This fall, we expect to complete construction on floating docks that will complement the Riverside Arts Market and provide water taxi access to the Northbank.

I will continue to support initiatives that generate private investment and make downtown "the place to be." We do this by drawing people to our downtown through events like the Florida-Georgia Football Classic, Gator Bowl, Jazz Fest, World of Nations, the Veterans Day Parade and July 4<sup>th</sup> celebrations.

We know successful events in our downtown mean good business for the hoteliers, the vendors and other small businesses.

Paul Eckert, general manager of the Omni, said during this year's Jazz Fest every employee worked full-time for three days straight. This was certainly a welcomed bonus for the families of those employees. Absent these events, our hotels typically post high vacancy rates on weekends.

When we make investments like the Bay Street corridor and the Laura Street project we expect to see a return on that investment. Bay Street is coming into its own as the downtown nightspot.

We are currently in talks with a developer who has a contract to acquire the old Barnett Bank and the Laura Street Trio. Their planned mixed-use development includes hotel, retail and residential space.

In January, I shared our plans to encourage the growth of a burgeoning art community.

Earlier this month, we began featuring local bands every Friday night at Snyder Memorial. We're also working with the Florida Theatre Group to create artist studio and rehearsal spaces in the building next door to the theatre. These activities, combined with refurbished public spaces and well-programmed special events, will begin to create the necessary momentum to encourage further investment.

**Jacksonville is a great city because** we rally together and focus on continuous improvement.

For many years, Jacksonville lagged behind the national average in terms of per capita income. But working strategically with Blueprint for Prosperity, citizens worked to reverse the trend. Jacksonville workers now earn 32 percent more than they did in 2000 and have surpassed their peers in other cities like Charlotte, Atlanta and Raleigh.

In light of our budget challenges, we've created a more transparent and open budget process. And our citizens have responded by attending community workshops, town hall meetings and educating themselves through the new, user-friendly website – [MyJaxBudget.com](http://MyJaxBudget.com).

Knowing that education continues to be a major concern in Jacksonville, we have also worked to improve our children's chances of success when they enter kindergarten. We've transitioned 148 child care centers from custodial care into learning care. *Rally Jacksonville* has more than 50,000 book club members. And research tells us that we are making a difference in the lives of our youngest citizens.

It is because of community involvement that many of our initiatives have been successful. Never before was this more evident than with the creation and implementation of *The Jacksonville Journey* – a comprehensive, citizen-driven initiative to reduce crime.

Public safety is our first priority and the core business of this government.

We have had the unfortunate distinction of leading the state in murder for 10 years. One of the greatest threats our city faces, I believe, is that we become defined by our violence. There is no greater deterrent for economic and tax base expansion than the prospect of families and businesses choosing to live and work in places they believe to be safer than Jacksonville.

But by working together we are responding.

In the last two years this Council has been supportive of *The Jacksonville Journey*. We are contributing significant resources to prevention and intervention programs. It is the

largest contribution to crime fighting in the history of this government. And I'm pleased to report it is working.

Through *Journey* funding our school system has revised its approach to out-of-school suspensions and lowered the rate by 71 percent. That is a significant, systemic change that keeps kids in school and off the street.

We've improved the quality of an additional 35 early learning centers, all of which are in our most challenged neighborhoods. As I speak more than 6,300 of our most vulnerable children are enjoying a high-quality, structured summer camp experience. These programs are keeping kids off the street and engaged in productive and fun experiences.

Working with Sheriff Rutherford since 2003, we've expanded the force by adding more than 170 sworn officers and instituted the Community Service Officer program. That's more officers on the street, better equipment and better technology to help prevent and solve crimes.

The same is true for the fire department. We've added firefighters and rescue personnel and invested tens of millions of dollars on fire station facilities and equipment to meet growth demands.

This budget continues our commitment to public safety. But given our current fiscal situation, even public safety departments were not immune from needed reductions. I appreciate Sheriff John Rutherford and his willingness to find efficiencies within his budget, without impacting the safety of our citizens.

According to the Sheriff's Office, we saw a 14 percent reduction in the murder rate and remain on track to see similar reductions this calendar year as well. In fact, the total number of murders so far this year is the lowest mid-year rate we've seen in Duval County in recent history.

Some critics will say tax payers should not be in the business of funding prevention and intervention programs to address the root causes of crime. News flash: taxpayers are in the business. It costs \$29,000 per year to incarcerate one criminal – not to mention the havoc that is wreaked and toll that is taken when senseless murders occur on our streets.

Working together, we are on path to create a safer community.

It is with that backdrop, Mr. President and members of Council, that I present the 2011 budget, totaling \$995 million. This budget continues our commitment to minimizing the cost of government while maintaining critical community investment.

This particular budget has a unique distinction. It is the first time since the Consolidation of our government that every executive department's budget is lower than the previous year. This includes public safety.

As you debate this year's budget, I want you to remember that while we have our challenges, the city of Jacksonville is our home. It's the city we choose to live in, raise our families, grow our businesses and retire.

The reality, however, is that hard choices are unavoidable in this economy.

Every day magazines and newspapers are writing about the financial challenges of cities and states across the nation. Governments are grappling with rising employee and pension costs, declining revenue and service demands that outpace their ability to meet them.

Jacksonville is not immune. But I believe we're in better position because we've put in place financial reforms that will serve us well in the future.

Councilman Davis, you'll remember during your last tour of duty as finance chairman and later Council president, we did some great work together:

We established separate emergency and operational reserve accounts, which bolstered our bond ratings. We enacted policies to prevent benefit enhancements without a fully-funded pension program. We pledged to move our city away from the bad habit of using one-time money for reoccurring expenses. We diversified our revenue stream, so that our primary source of income was not at the mercy of bad policies coming out of Tallahassee.

While we've done good work, we must do more.

Our path to sustainability will continue to be reducing employee-related costs reducing operational expenses and making responsible revenue decisions.

The key to managing our costs long term is pension reform. This is easier said than done.

Seventy-two percent of our city workforce is unionized. Every concession we pursue must be negotiated through the often tedious and cumbersome collective bargaining process. In spite of significant resistance, we've made progress.

I want to thank Randy Wyse and the fire union leadership, along with Jason Geiger and the Supervisors Association, for working toward an agreement in principle that will help improve our condition. Together they represent one quarter of our workforce. This spirit of cooperation gives me optimism moving forward.

I implore the leadership of the FOP to take the advice of former finance committee chairman and vice president of Council Stephen Joost. During his installation speech three weeks ago, Councilman Joost sincerely and humbly asked unions to help us through this difficult time by becoming part of the solution versus the defenders of the status quo.



It is unreasonable to expect that union membership will be held harmless while taxpayers are being asked to pay more and city employees are asked to do more with less. It is only fair that we all share the burden.

When I took office the city's annual pension obligation was \$40 million. This year it is more than \$100 million. And ten years from now, pension costs are expected to be more than \$250 million. That's more than a 500 percent increase since I first took office.

Last year, during my budget presentation I shared with this council that the current pension trajectory was not sustainable. Since that date we've been aggressively pursuing solutions and last fall we introduced comprehensive pension reform at the collective bargaining table.

While we are still in discussions, our goal is to secure more than \$1 billion in savings over the next 35 years. The plan we put on the table included revisiting the guaranteed rate of return, adjusting the retirement age and average pay calculations.

Jacksonville has a chance to become a leader in pension reform, but we must continue to hold the line. We cannot follow the same path of other cities and states that have refused to take up the issue.

For example, instead of making significant cuts or raising revenue, the state of Illinois is proposing to borrow \$3.5 billion to cover just one year's worth of pension payments. As a result, they have burdened their budget with interest expense jeopardized their bond ratings and placed their state in financial disarray.

Regardless of their role, mission or responsibility, public sector employees must be part of the solution. It was never intended that government workers be given a safe haven and virtual immunity from economic conditions.

We must have concessions on both immediate pay cuts and long-term pension reform. That's why the budget I'm presenting to you today includes an across the board cut in every employee's pay – including each of ours around this dais. And for the first time, we will require employees to pay a portion of their healthcare benefits.

We're also actively pursuing the privatization of a number of city functions including IT, public buildings and the management of some of our recreational facilities.

If we determine that the private sector can provide the same or better service with less cost, we will make changes immediately.

In addition, we're continuing to cut the workforce. Since 2006, we've eliminated more than 700 positions from this government. But that achievement has not come without consequences. Over the last few months, we've made difficult decisions regarding personnel.

Decisions involving people are never easy. I want to stress that this is not a reflection on individual employees, but rather steps we're taking to move us toward a more solvent and sustainable future.

We have some of the hardest working employees who do some of the least glamorous jobs.

We have people like Marilyn Fenton-Harmer, who this Council recognized just weeks ago, for her dedication to helping citizens find their voice in government. We have employees like Danita Thompson who spends long days investigating some of our city's worst animal cruelty cases and finding homes for some of her success stories.

And we have employees like Thomas McBride, Jermell Pender and Henry Hayes who while on their routine garbage collection, confronted would-be thieves and stopped a home burglary in progress.

Each year that I've been in office, I've asked our employees to do more with less and each year they have risen to the challenge. They are the ones who are laying the foundation for a new way of doing business.

In addition to managing employee costs, we're cutting the cost of government. As I mentioned earlier, we've cut every function of this government in real dollars and in real ways.

Many of these cuts – such as library hours, JFRD reductions and decreases in park mowing – have already taken place. The Sheriff has also reduced his budget by \$5 million by making various cuts in the department and avoided another \$5 million by postponing the hiring of 50 officers and 24 civilians.

In all, we've cut another \$22 million from government this year. And let me remind you, these cuts are on top of the tens of millions we've eliminated over the past several years.

Since 2006, we've cut millions from the IT department, the public library budget and reduced contributions to non-profit agencies and cultural institutions. We've cut the Children's Commission, Special Events, reduced the subsidy to the Public Health Department and the Jacksonville Zoo. And we realized nearly \$3 million in savings when we reorganized government in 2008. In the last five years, we reduced the non-public safety budget by nearly 10 percent.

While that is a remarkable feat, some will say it's not enough. They'll say it doesn't match what those in the private sector are doing.

A while back, I spoke at a Rotary Club meeting about the economic challenges our city faces. During Q&A, the owner of a lumber yard asked me why government can't make wholesale cuts like businesses do when times are tough. I explained to him, there is a fundamental difference between the private sector and government during a recession.

In the private sector there is a direct relationship between demand for a product and revenue to a business. When demand for lumber decreases, management responds by reducing inventory and laying off employees.

But in government, demand remains constant even when revenue drops.

In fact, during a recession, demand for services often increases. Demand for social services goes up. The number of people enjoying free visits to our libraries and parks increases. The number of 911 calls at best remain constant. The grass continues to grow in our public right-of-ways and in our parks. And potholes don't seem to care about the state of the economy either.

Our challenge is to provide those services and amenities even when revenues are declining.

Unlike the federal government, we do not have the political luxury of issuing debt to avoid tough decisions – and nor would we want it. We also don't have the luxury of state governments who are using one-time stimulus dollars to fictitiously balance their budgets. We're forced to have the difficult conversations and make the difficult decisions. Because of that, we are more responsible and more accountable – and that is a good thing.

This economic downturn has had an enormous impact on our tax base. Due to the world-wide recession we will lose 7 percent of our tax base this year, which equates to about \$4 billion. Translated, this will have a \$45 million negative impact to our general fund.

Given these circumstances, today I'm presenting a revenue neutral millage rate of 10.12 mills. Combined with significant operational and employee cuts, this rate will enable us to provide essential services, protect our bond rating and continue our long tradition of being the low-cost provider among cities.

In absence of a revenue neutral millage rate, we will be faced with another \$45 million in cuts. This would require Draconian cuts in every department including the Sheriff's Office, JFRD, our Public Works Department and our parks and libraries.

This rate also better prepares this community for future budgets and the projected gap between revenue and expenses over the next five years.

And while this millage rate adjustment will mean a slightly higher tax bill for some, it is important that we keep our tax burden in perspective.

During good times, the city lowered its millage rate for 13 straight years. The rate I am proposing this year is lower than when I took office. This rate is the lowest of any major city in Florida. And according to the Kiplinger report, we will continue to be one of the least tax burdened cities in America.

These are facts we know. These are facts we should share. And these are facts we should be proud of!

We are leading in extraordinary times, and even when we disagree it has been an honor and a privilege to serve with you. We have an awesome responsibility to the taxpayers – and the future taxpayers.

In many ways, serving this city is more personal for me today than it was seven years ago. I am now the father of two young boys. They are members of the future generation, and for me a frequent reminder for why we must do the right thing by our city. It is our job to lay the foundation for a better city ... for them and for the children after them.

While it hasn't always been easy, I am proud of the work we've accomplished together.

And on a personal level, I am forever grateful to my wife Kathryn, my mother, my father and the rest of my family for their never-ending support while I have served these past seven years; my staff for their hard work, dedication and friendship; and particularly the citizens of Jacksonville who've allowed me to serve the city I love and the city I am proud to call home.

May God bless all of you who offer your time and talent for the betterment of our city.

And may God bless Jacksonville.

Thank you.