



Mayor Mitchell J. Landrieu

2011 Budget Address

**Gallier Hall
New Orleans, Louisiana
October 14th, 2010**

*****Prepared Remarks*****

Thank you all for coming.

When we were together on Inauguration Day, one hundred and sixty five days ago, on the steps right outside of this magnificent building, Gallier Hall, I spoke about our city's hope for itself. I asked that we be called upon to stop thinking about the city that we were and start building the city we want to become.

Since taking office we have taken that message to the streets and with the strong support of the City Council and help from friends across the city, we got to work. We've worked aggressively to restore public confidence in our city government. We're now open five days a week from 8am to 6pm. We have begun to change the culture at City Hall.

I immediately signed a series of executive orders to completely reform the procurement process to make it honest, transparent and equitable. Now, contracts in the city of New Orleans will be awarded based on what you know, not who you know. We took an additional step to open doors of opportunity for minorities, women, and disadvantage business owners. Now nearly 700 more DBEs will have better access to city contracts than ever before.

Safety is our number one priority and we have taken the following steps. We called on the Department of Justice to help us reform the New Orleans Police Department. With Chief Serpas at the helm, we reorganized the police department's top-heavy structure installing civilian experts to vital leadership positions. We released a detailed, 65-point plan to fight crime.

We launched Project Safe Neighborhoods to combat illegal guns and we opened COMSTAT meetings to the public. We began to regularly walk the city's neighborhoods with officers to build trust with residents, brought in a task force from the justice department that specializes in reducing homicides, and most recently, launched a new initiative to involve clergy and community leaders in neighborhood policing.

Following the heinous murder of two-year old Jeremy Galmon many came forward to tell what they saw and what they knew. With this incredible response from the community the two suspects were apprehended in a matter of days. Jeremy's murderers will be brought to justice.

On my 67th day in office, we again came together at Xavier University to lay out what we found and to discuss the state of our city with eyes wide open. We laid out the details of our city's financial crisis and the immediate steps we were called to take. Across all departments we reduced overtime, cut back on hiring and travel expenses. We dismissed 50 non-essential personnel with the NOPD. Reorganized our debt to save on interest. We reduced our reliance on recovery contractors like MWH, saving millions of dollars. We cancelled two IT projects and reduced five others.

While we were stabilizing our financial situation, we continued to move forward.

To improve healthcare, we delivered on our promise to New Orleans East and bought Methodist Hospital, saving taxpayers over \$23 million in the process. We broke ground on the new VA hospital in Mid City and found the funds to save 100 historic properties from demolition. We worked with the state and federal governments to keep our 87 primary care health clinics open, which serve approximately 300,000 residents annually and is a national model.

To aggressively deal with blight I recently unveiled a strategy that will eliminate 10,000 blighted properties over the next three years.

To create jobs, we established a public private partnership for economic development. We have welcomed more than \$360 million in new investments that will generate 800 new jobs. Blade Dynamics will develop 600 green jobs at their new wind turbine factory in the East; while TCI and Folgers Coffee are launching large new projects headquartered in New Orleans East, as well. And, we broke ground at the Hyatt Regency downtown. This \$275 million redevelopment will bring hundreds of jobs back to New Orleans in time for the 2013 Super Bowl putting the tourism industry back in full swing.

Now we are moving forward on over 100 bricks and mortar recovery projects. For five long years, too many projects languished. When I took office, we did an extensive audit of the projects and discovered an over \$300 million gap in capital outlay funding. So we had to take a fiscally responsible approach and prioritize. We worked with the Council to identify community priorities, and every one of those projects is in my \$207 million capital outlay budget, which we will propose tomorrow. This budget makes a significant investment in our future and our infrastructure. These projects will be completed on time and on budget.

All the while, we dealt with the BP oil catastrophe coordinating with the Coast Guard and neighboring Parishes to successfully protect Lake Pontchartrain from the oil. We are thankful that earlier this week the Obama Administration ended the deepwater drilling moratorium. Moving forward we must restore our coast, continue to hold BP accountable, and make sure everyone is compensated for the damage done.

Today, on my 165th day in office, we come together to discuss the creation of next year's budget. This is a moral document that reflects our values and will guide our government from January 1st through the next 365 days.

Now we must face the hard truth that the city in the past has not been on a sound fiscal footing. Throughout the first half of this year the city was on pace to spend \$80 million more than it had. And in each of the previous two years, it spent \$50 million more than it took in. In 2007, we had \$72 million in reserves. Today we have zero.

Quite simply, the City of New Orleans has been living beyond its means and is at risk.

Revenues are down. Expenses are up. And now, more than ever, residents need a government that works, as we deal with the Great Recession, the BP oil catastrophe and the enduring legacy of Hurricane Katrina.

The current state of our finances is captured in a BGR report titled *Dimensions and Solutions of New Orleans' Financial Dilemma*. This report states that, quote, "The city of New Orleans faces a fiscal crisis...The future is here...General Fund expenditures have gone up to support current services...meet urgent needs...and clean up after the hurricane. Long-accumulating cost pressures have broken through...Expenditures are rising much faster than revenues from established sources...No surplus will be available as an offset."

This is our reality today. But this report was not meant to describe our present situation. In fact, this report was written in 1966, just a year after New Orleans was sent into a tailspin by Hurricane Betsy. You see, our budget problems are not new and now is the time to have the courage to face these challenges head on. It's time to get our city on a fiscally responsible path once and for all. We will learn from the mistakes of the past.

Consider last year's budget. Although the authorized budget was \$466 million, the city was on track to spend more than \$500 million, just as had been done the previous two years. The budget did not take into account the full cost of pensions, overtime, healthcare and worker's compensation. There was \$32 million in personnel overspending. To make matters worse, revenue projections were, in some cases, wildly off the mark, and, not surprisingly, fell very short thereby creating a deficit.

And worse news still, due to an audit of past year expenditures and a decrease in revenue, the budget gap grew from an already staggering \$67 million to nearly \$80 million. If left unaddressed, this gap would have ballooned, damaging the city's bond rating and putting our entire recovery at risk.

Because the city had tapped out our loans and spent nearly all of our one-time federal recovery money, we had very little left to work with. Let me be clear. When you are \$80 million in the red through just half a year there are no good options.

In fact, we found ourselves between the proverbial rock and a hard place.

During the Inaugural Address I called for sacrifice. We had to bring revenues in line with expenditures and send the message – "We will be fiscally prudent." To balance this years budget we cut over 50 jobs to save nearly \$2 million, downsized and sliced programs, renegotiated or ended millions of dollars worth of city contracts, sharply curtailed overtime to save millions of dollars, took back half of the city's take home cars saving us a million dollars in 2011, and furloughed every city employee for 11 days, effectively reducing their pay by 10 percent and saving nearly \$7 million.

We closed this gap on the back of city employees, firefighters, and police officers. That, ladies and gentleman, is sacrifice. And on behalf of the City of New Orleans, I want to

thank them.

To end the year on track, we instituted a spending freeze for all city departments. We shut down services we couldn't afford, cancelling a contract with Xerox so City Hall no longer has a copy center. We collected \$6.4 million in overdue lease payments from Harrah's. And to generate additional revenue, we held successful tax sales. We have literally counted every penny.

As a result of these actions, we will end the year with a balanced budget.

But living in financial crisis wasn't easy, nor are these drastic actions healthy over a long period of time. In fact, when my budget team came to see me about yet another problem, I was reminded of an old joke my dad used to tell me Ms. Martha – a businesswoman, wife and mother.

Ms. Martha is suffering from chest pains and she can't sleep at night. She goes to see the doctor and the doctor runs all the necessary tests. He asks, "How are things at home? How are things at work?"

"Terrible," Ms. Martha says. Her company is going belly up, her kids are always getting into trouble, and her husband just doesn't understand.

The doctor says to Ms. Martha, "You've got too much stress in your life. You need to get some exercise. Run ten miles a day. And call me in a month." Ms. Martha followed the doctor's advice. On the 30th day, she calls the doctor. The doctor asks, "How are you feeling?"

Ms. Martha says, "I'm feeling great! I sleep well at night, I'm breathing easy. I feel like a new person."

The doctor asks, "Well, how is life at home and how is your job?"

Ms. Martha says, "How would I know? I'm 300 miles away from that place."

The point is, unlike Ms. Martha, we cannot run away from our problems. We cannot bury our heads in the sand. We have to face our challenges head on, and so we will.

Tomorrow, my team will make a formal budget proposal to the Council. Throughout the Mayoral campaign the people and Councilmembers expressed their desire to see the budget earlier. This will be an unprecedented moment – for the first time, we will present the budget two weeks early to the City Council – giving everyone more time for constructive dialogue.

We look forward to working with the Council in the coming weeks to create a new budget and make sure that we never find ourselves in this situation again. We are all in agreement. The city needs to get back to basics and fix this broken budget process

once and for all. We will stop the overspending and, for the first time in over 30 years, create a budget that all city government will live by. As the Council exercises its legislative authority, there needs to be honesty in budgeting. If an item is added, then one needs to be taken out. We all must work to maintain balance while staying within the same parameters.

We will end the foolhardy practice where only part of the year is budgeted. The SPCA is now in crisis because their piece of the city budget inexplicably ran out on October 1. Had we not taken action, the Police Department would have run out of money on October 14. The Sheriff says he can no longer afford to provide security at the courthouse after October 25. These budgeting practices don't make sense, and it will not happen on my watch.

We will create a responsible budget and we will live within it. Unlike other cities across the country, New Orleans cannot get bailed out by the state. Louisiana has a mammoth budget crisis of its own. We've got to handle it ourselves like adults and make some hard choices.

To get off on the right foot, I signed an executive order adopting national best practices - it's called Budgeting for Outcomes. New Orleans will no longer budget based simply on the previous year's numbers. Instead, we will start each year with an open mind, see what has worked, cut what has not, reorganize, and make smart investments.

The process will be citizen driven, and our priorities will reflect the will of the public. The first step of this process was listening to the people of New Orleans. Throughout August, we held a series of seven public meetings in every council district to identify citizen priorities.

You have told us what you want. We listened. And now it's time for us to deliver.

We heard residents like Mr. Smith and Mr. Brown in Treme who run programs for our children. We heard Ms. Bingham in District B, Ms. Melva in New Orleans East, Mr. Marshall in Central City, and Ms. Pigman in the Irish Channel ask us to rebuild all of our recreation facilities. Public safety is our top priority. But, the smartest investment we can make to keep our city safe is in our kids. That's why we will more than double NORD's budget next year.

We heard you, New Orleans.

In the coming years, the new New Orleans Recreation Commission will once again make our City a national model for recreation. Our children will no longer have to fundraise for things like jerseys, pads, and helmets. Residents across the city will have access to good swimming pools, like the one we just broke ground for in Joe Brown Park. With quality programming, kids will have the opportunity to paint and play ball, laugh and learn, sing and dance.

To keep kids safe and provide an excellent opportunity for real world experience we will fund JOB1 in full so next year there will not be a 700 person waiting list. The children of New Orleans will be part of reinventing New Orleans.

We heard Mr. Boudreaux in Uptown, Mr. Crane in Pontchartrain Park, Mr. Costello in Algiers, Ms. King in the Ninth Ward, and many others who lament the terrible shape of our streets and the flooding after light rains. Ms. Gayle in Bywater wants streetlights on her block to work.

We heard you, so we are investing in streets and street lighting like never before. In the 2011 budget, there will be \$14 million to fix thousands of potholes and clean thousands of catch basins. \$1 million will go to streetlight repair, and we will target hundreds of streetlights a week. Another \$4 million will go to installing new, energy efficient streetlights that don't cost as much and don't go out as often. We'll put in 5000 of those.

We heard Ms. Chalk in Gentilly, Ms. Farwell in Mid City, Ms. Robinson and Mr. Goodman in Central City, and many others who spoke about the need to urgently deal with blight. We heard you, and are tackling blight head on.

Next year's budget includes \$16 million to fight blight-- \$4 million from the general fund and another \$12 million in leveraged state and federal funds. Our new inspection team will be able to inspect 19,000 properties per year. We're streamlining government so that the same inspectors can cite violations on both buildings and lots. This will save money and increase efficiency. We anticipate that 1000 sheriff sales a year will annually net the city over \$3 million – enough for the blight program to begin paying for itself.

In every community meeting, we asked people, "When is the time to get aggressive about blight reduction?" Resoundingly, they told us "Now is the time!" Once again, I am putting owners of blighted property on notice -- Get your property up to code because we are beginning strict code enforcement on November 2nd. Enough is enough. November 2nd is the day.

Mr. Yardin in Lakeview, Ms. Terral from the Seventh Ward, and Ms. Walker from the Westbank all wanted a friendly, responsive voice to answer the phone at City Hall and address their needs. So we are creating a culture of good customer service. We are recreating the 311 system, and calling it *AskNola*. Starting next year, when you call 311 to register a complaint, you will not hit a brick wall. Our customer service team will be linked with city agencies. Your issue will get to the correct department, and you will receive a communication back on the status of your complaint.

We'll fund *NOLAStat*, a program modeled off of Baltimore's CitiStat, which is a system that helps City Hall managers analyze data to make sure government is more performance driven and accountable. This information, like COMSTAT, will be available to the public so you can monitor our progress. For too long, the citizens of New Orleans have not gotten their money's worth. Because it's not just about money, it's leadership and results. I'm serious about performance, and so are the people of New Orleans.

When a light goes out, we want it fixed. When a catch basin is clogged, we want it cleaned. We will set ambitious goals, work relentlessly to achieve them, and hold managers accountable for results.

We heard Mr. Jones in the East, and Mr. Kennedy in Broadmoor talk about the need for good job opportunities. To kick-start our economy, I am committed to building lasting partnerships with the private sector. We are investing in economic development by creating the NOLA Business Alliance, a public private partnership that can leverage private funds to augment the city's investment.

These are smart investments, but if we only invest and fail to reorganize, we reinforce a dysfunctional system. That is why, by the end of the first quarter of next year, every department in City Hall will be reorganized. Under the oversight of the Chief Administrative Officer, each department will be required to save 5 percent from their budget.

We are restructuring the health department and will spin off our medical clinics to non-profit community providers by the 2nd quarter of next year. Our goal is to ensure access to care, but we don't have to provide it directly if someone else can do it better.

We expect long-term savings with the consolidation of the departments into one code enforcement and hearings office. Human Resources staffers spread across City Hall will be merged into one department, and comprehensive Civil Service reforms are going to be passed.

In 2011 we will invest in a new technology system that will improve efficiency, accountability, and customer service. Too often around here we rely on triplicate carbon copy forms instead of 21st century technology. Too often around here a process that should take two steps takes ten. It is expensive and time consuming and it has got to change.

We will also work closely with the pension boards to address unsustainable cost pressures which threaten to undermine both the city's budget, and the commitments we have made to our retirees. We will work together with them to curb costs and deal with this budget-busting issue in a way that honors our commitments.

Finally, we are going to hold people accountable. Every line-item in the budget is tied to outcomes. If programs do not deliver, they will be cut. If employees are not hitting their marks, they will be replaced. For too long, we have overpaid only to be underserved. That's why this budget focuses on performance and funds results.

As we reorganize, we will also cut smart. It's like pruning a tree. You get rid of the overgrowth, you get rid of the dead wood, so that you can grow in the future. We have cut or renegotiated city contracts saving millions for sanitation, IT, community development, and project delivery.

We saved \$8.8 million by sharply curtailing overtime spending across every city department. We eliminated 460 city-owned take home cars. We asked city retirees who are Medicare eligible to use Medicare as their primary insurer, and the city purchased supplemental plans for each of them so they see no reduction in benefits. This will save taxpayers \$3 million in 2011 and every year thereafter.

And we had to make hard cuts, like no longer funding the crime camera program. For the millions the city has sunk into this program, crime cameras have yielded little results. Both Chief Serpas and I agree that with the limited resources we have, our money needs to be better spent in a targeted way on other public safety priorities.

We are only funding one new class of police cadets this year, which will lead to a reduction of 60 commissioned officers. But this will not impact the number of cops on the beat as Chief Serpas gets more officers from behind the desk and onto the streets. Through funding provided by the Department of Justice the NOPD will purchase an important policing software tool that will pinpoint neighborhoods where officers are most needed.

This budget is lean. This budget is fiscally responsible. This budget reflects citizen priorities. This budget provides a solid foundation for us to grow into the future. And this budget does not rely on savings, bailouts, or other one time funds.

But neither this country, this state, nor this city, can cut our way to excellence, efficiency, or effectiveness.

There is no free lunch. Now, we have to pay for it.

Even after an exhaustive budgeting process, where we cut and reorganized, we cannot balance the budget as we have in the past by simply eliminating expenditures alone. The city requires a more stable source of revenue to provide you -- the citizens -- with what you said you need.

The people of New Orleans need a government that works and we have to balance our budget. We took decisive action to right the ship this year. We've held people accountable. We know the people want their city to work. And it requires aggressive efforts and leadership to fix a broken system. This is a no excuses, get it done culture. We can no longer pass the buck to future generations. The future is now.

Therefore, this budget calls for an increase in sanitation fees to align them more closely with the actual cost of picking up garbage. We are actively renegotiating all sanitation contracts to cut costs. As of today, we have cut the cost of one of these contracts by 25%, while maintaining the same level of service. This budget allocates \$33 million for sanitation services, a decrease of \$4 million from the previous year. But even with these reductions the monthly \$12 sanitation fee -- last increased ten years ago -- covers less than half of what the city actually spends on garbage services.

Because the fee is so out of line with the cost of the service, sanitation is a major drag on the city budget. If we want the trash picked up, we need to pay for it. So this budget increases the monthly sanitation fee by \$8. This increase will make the fee more consistent with the actual cost of trash pick-up and disposal. And it will eliminate an \$11.6 million hole on the budget that can be invested in other priorities. It makes good financial sense to pay as we go.

And this budget calls for rolling forward the city's millage rate to 2007 levels. In the aftermath of Hurricane Katrina, the millage rate was lowered. The hole in the budget that was created when this millage rate was lowered was filled by pillaging our savings, using one-time revenues and relying on federal dollars.

But since then, the nation's economy has fallen apart, our reserves have been tapped out and one-time federal recovery dollars are gone. Clearly, this strategy is unsustainable. The situation is so dire that if the millage is not adjusted back to the 2007 level we would be forced to significantly reduce public safety departments by hundreds of first responders.

Without this adjustment, all non-public safety city departments would be cut by 25 percent. Without taking these actions, we would not be able to make smart investments in NORAD, street repairs, customer service, blight reduction, and other priority projects that you said you want and need. Most homeowners can expect their annual property tax bill to go up by less than 40 cents a day.

To deal with the long-term structural property tax problems in New Orleans and to make sure everyone pays their fair share, I am appointing a Tax Study Committee that will take a hard look at our property tax structure. We are the only municipality in the state that is so completely unbalanced. It's got more holes than Swiss cheese. This committee will report back to me by June 1st with recommendations for changes as we get ready for next year's assessment.

Two important points about this budget. First, even with these revenues, next year's budget will be smaller than years past. Let me say that again because it bears repeating. Even with these revenues, next year's budget will be smaller than years past.

The city spent \$512 million in 2008, and over \$500 million in 2009, all while dipping into our reserves and using one-time money. This year we were on track to spend over \$500 million again before we put a stop to the egregious overspending to keep our budget balanced. I am proposing a budget of \$483 million. We are budgeting truthfully and we will deliver results.

Second, before we even got started putting this budget together, \$100 million was taken off the top. That's right. More than 20% of our budget is devoted towards pension costs and debt payments. Consider the great needs of our city and how far we have to go, and then think that we only have 80% of our budget available to address those needs. In a very real sense our hands are tied by past practices.

If we pass these revenues and make these long term fixes, our budget will be structurally sound. There is no mismatch between obligations and revenues, no budget cliff we are approaching in the coming years. It will be tight, and we will need to keep squeezing every ounce of efficiency out of city government so we can pay for what matters most--public safety, roads, streetlights, drainage, NORD, blight.

It's not about whether government is too big, or too small. It's about making government work well for the people. It's about being fiscally responsible, and delivering results. It is about creating a world class city.

When I was inaugurated, I talked about sacrifice. We said there is nothing broken here that cannot be fixed. No problem here that cannot be solved. The hard truth is that the path will be long and arduous, and require sacrifice.

I am asking you all to walk with me on this path. This will not be an easy road.

We have sacrificed by cutting the budget and cutting programs. We have sacrificed by streamlining and reorganizing City Hall. Now, for the first time in a long time, we are going to pay in full and up front for the city services we need to move our city forward.

In 2018, New Orleans will celebrate her 300th Anniversary. Imagine what she will look like.

Imagine a city with new NORD playgrounds filled with laughing children.

Imagine a city where every child has the opportunity to receive an excellent public education in modern facilities worthy of their promise.

Imagine a city where families have easy access to health care at their neighborhood clinic and new state-of-the-art hospitals.

Imagine a city with good streets that are well lit from West Bank to New Orleans East.

Imagine a safe city, where families can enjoy evenings on their porch without fear.

Imagine a city, where our businesses are booming, providing good job opportunities for all of our citizens.

Imagine a vibrant city without blight, where all of our neighborhoods thrive.

This is the vision we heard from you time and time again, in every community meeting, in every neighborhood. New Orleans, we heard you.

This budget is the first step on a very long road to realizing that vision. Creating and living by a thoughtful, honest budget will take courage, sacrifice, and hard work.

It requires us to be one team, one fight, one voice, one city.

Together, we will create a city that will be better for future generations than it was for us.

Together, we will create the city we can be proud of.

Together, every step of the way.

Today, we are taking another step forward.

Will you take it with me?

Thank you and God bless.