

We're here today to talk about the future of Knoxville and I am going to present a budget to you that sets the stage for moving our City forward over the next four years.

To me, budgets are not just about numbers -- they're about vision. We want to be a city that provides excellent services, makes investments, takes care of people, and sets priorities.

Let's talk about priorities first.

I promised in the campaign that I would look for efficiencies in government and we're doing that. We're prepared to work harder and do more with less. I know this is a common phrase out there, many of you are doing the same thing in your businesses and your homes. The city is no different.

In the budget I present to Council, we will be doing the City's work with fewer people than last year, in fact, fewer than anytime in the last eight years.

We're cutting the bureaucracy, but not the service.

The services you value, brush and leaf pick-up, garbage pick-up, police officers on the street, will not be affected at all. And we're going to add a couple of services that we think you'll really like --- first is a 48 hour pothole guarantee. If you call in a pothole on a city street, whether its in West Hills, Chilhowee Hills, Fountain City or any other city neighborhood we'll get it repaired in 48 hours – now you can't hold us responsible for those state highways – but your city tax dollars will be taking care of those potholes on your city streets.

Secondly, we're going to start a 3-1-1 Call Center. Some time in 2005, you'll be able to call one number at the City if you're having a problem or need help with your services. We will invest in the technology to do this and train our people, so it will take some time to get it up and running, but it will be worth the wait.

And we think our 3-1-1 Call Center will make us more efficient. We will be able to take your calls into one center AND we'll be able to track the work, we can find out where we have problem areas and fix the problems. We'll be able to see where the needs are and if our resources are being used wisely.

Here are some other efficiencies we've realized in this budget:

- We refinanced our debt and saved over \$5 million dollars – that's over \$300,000 a year.
- We implemented a new performance measurement program to track our activities and measure our efficiencies and the quality of our services.
- We implemented a grant management process so that we can track any matching funds or operating expense before we apply for “so-called” free money.
- We've changed the way the city's medical clinic is operated and saved at least \$85,000.
- We're going to cut our fleet services by eliminating cars, we don't think we need as many cars as we're using which will save hundreds of thousands of dollars, plus the cost of fuel, maintenance, and insurance.
- The police department is going to reduce the number of cars they use and they're going to buy more fuel efficient cars.

- And we're saving half a million dollars at the Convention Center through better management.

I want to stress to you that we're not finished looking for efficiencies. I'm still working my way through city government and learning more about it every day --- looking for ways to save more money will always be one of my highest priorities.

A second priority is building stronger and safer neighborhoods.

We're going to make investments in your neighborhoods.

Here are some of the things we plan to do starting with this budget.

We're going to pave more roads, including roads in Oakwood/Lincoln Park, Fourth & Gill, Mechanicsville, Vestal and all around the city.

We'll show our commitment to this much needed city service by spending \$3 million to maintain our roads.

We will also commit money to building new sidewalks and repairing the ones that we have.

We're going to make improvements to our ballparks around the city, ballparks like Maynard Glenn and Inskip. This is not only an

investment in our city, it's an investment in our kids....we want them out there playing ball in city parks.

We will also be committing funds to help build the Ashley Nicole playground at Caswell Park, a playground that is designed for handicapped and disabled children.

We hear you when you say you're tired of cars flying through your neighborhood and that you want the traffic to slow down. It's not an easy problem to fix, but we will invest money in traffic calming programs so that we can begin to take a look at what we can do to encourage people to slow down when they're driving through Sequoyah Hills, Pleasant Ridge, Lake Forest or any of our neighborhoods.

In the four months I've been Mayor, I've heard a LOT about drainage issues...we know it's frustrating and we're committing money to keep working on these problems.

We're making these investments in the city's neighborhoods because we believe that these investments will protect and enhance your greatest investment --- your homes.

It's my job to take care of the city the way you take care of your home and it's important whether it's your house or your city to do routine maintenance to preserve our assets. If we don't take care of the city's assets as we go along it will cost us a lot more later...in fact, right now we have some assets that have been neglected. One of our commitments is to handle things like roof repairs and bridge repairs routinely so that we're not stuck with a really big hit sometime down the road. I want to keep Knoxville in top shape and I don't want a future Mayor to be in the position of having to spend extraordinary amounts of your tax dollars because we didn't take care of the city's assets as we went along. This is another form of investment. We are going to be responsible and pay as we go.

And we're developing new assets, we want Knoxville's Downtown to be a shining star. It's important to continue to make investments in Downtown. A vibrant downtown translates into a vibrant city and we want to do everything we can to make downtown a premier destination. If you haven't been down to Market Square you need to go, it's great and it's not even finished. Construction on a new parking garage behind

Market Square is about to begin and we're going to put a movie theater on Gay Street..... another reason for people to come downtown.

Sundown in the City is back on Market Square and it's a huge hit, we had 10,000 people come to the first concert, that's exactly what we want happening downtown. A week and a half ago we had an unbelievable weekend downtown with over 40,000 people showing up to celebrate the Rossini Festival, Dogwood Arts Festival and the plant show. When the Tennessee Theater reopens in January we will be proud to say we were a part of the renovations. We also have plans for a new Transit Center, it's primarily financed by the federal government, but we'll share in the costs. And finally, we have an icon downtown and it's not just an icon for downtown....it's an icon for the whole city....the Sunsphere. Any time someone puts out a brochure or a ticket or something relating to Knoxville, you see a picture of our icon, the Sunsphere, but right now you can't even go inside or take an elevator ride up to see the view. It's time we fix it up and get something in there....let's take this symbol that represents Knoxville and make it something special for our citizens and our visitors.

We're all aware that East Tennessee has serious air quality problems, that's why we'll continue to make an investment in KAT and encourage our citizens to consider mass transit as an option. By the end of the year, 90% of KAT's fleet will be equipped to use alternative fuels.

I promised during the campaign that I would keep a card in my pocket with the names of corporate headquarters we would try to get to Knoxville, it's still here and we've made some calls to these companies. Economic development will make our city stronger --- we want to bring more and better jobs here. I'm proposing we invest in the Jobs Now program. I like the fact that it is about producing measurable results in job recruitment and raising wages in our region. We think the best way to get results is to work with our partner, the Chamber.

Let me talk for a minute about some of our other partners. During the campaign I talked about the need to have good relationships with the County, the University of Tennessee, the Chamber and other key partners. These relationships have helped us to work smarter and we're exploring ways that we can work together to save you money, it's just the right thing to do.

I've saved the city's most important asset for last.....our employees. I am proud of the men and women who work for the city of Knoxville. Our employees work hard for the taxpayers and take great pride in serving the citizens. If you're sitting next to a city employee take a minute to say thanks for all they do for you - like patrolling your neighborhoods, catching the bad guys, fighting fires, picking up your brush, repairing your sidewalks, paving your roads, having nice places for your kids to play, making our by-ways look beautiful – I could go on and on. That's why we want to invest in our employees and give them a 2.5 percent pay increase, and we are increasing the salary of employees at the lowest end of the scale a greater amount as recommended in our recent salary survey.

We are not reducing the number of officers on the street or the number of fire halls. Efficiencies in those departments will be found in other ways.

Now it's time to talk about the hard truth. This administration was left with a budget that too often dipped into its savings account. For the last two years the city has spent more than it has brought in. As he was

leaving office, Mayor Ashe warned us on more than one occasion that there were tough times ahead. He often talked about the shortfall being anywhere from five to ten million dollars, the reality is it was closer to \$10 million dollars. Our health care costs and worker's compensation claims have gone up over 15% annually and our pension costs for employees have also skyrocketed. In addition, we have a convention center, while a great asset, it's also a drain on our finances. Those are the tough issues we faced as we prepared this budget.

I am not going to let those tough issues stand in the way of moving this city forward. I am fully committed to taking care of our city and making investments for the future and to quit borrowing from our savings account. To do this I'm prepared to pay for it by asking for a tax increase. We are proposing increasing the tax rate by 35 cents – that's \$5 a month for the average homeowner.

We have worked very hard to make this an open process. Everyone could see the pain of making deep cuts and no investments. We think we're presenting a responsible budget that has built in efficiencies and investments. I hope you will agree with me that it's

worth an extra \$5 a month to work toward the goal of making Knoxville America's premier city in which to live, work and raise a family.

Several people have asked me, how did we get in this position?

Why do we need a tax increase?

To begin with, our situation is not that different from most other cities around the nation. Most cities are dealing with the cost of rising health care, obligations to fund pensions, escalating worker's compensation costs, and an aging infrastructure, whether it be roads, bridges, or software systems. In addition, as I noted earlier, as a city we have been spending more than we have brought in for the last couple of years. This can't, and won't, continue under my watch.

When we combine these cost pressures, with the fact, that as a city, we're not growing very much, there's a problem. Most of the residential growth in our area is happening outside of the city limits. Sales tax growth, while it has picked up lately, has a limited impact, in that 72% of the sales tax collected in the city goes to the county to help pay for our school system.

In a nutshell, our problem is that we are not growing our revenues in a time when our expenses continue to rise. So, what can we do about it?

In short term, as I mentioned earlier, we will have to have a tax increase, I don't like that any more than you do. But, looking out at the future, we will have to do two very important things. First, we have to focus on growing as a city. If we don't have consistent, real growth in our city, we have no option except to raise taxes. Secondly, it is the job of city council and myself to rein in the increases in our expenditures. Health care costs, worker's compensation costs, repairing roads and sidewalks all of those pressures will continue to exist. It is our job to find new ways, different ways, **less expensive ways** to conduct the city's business.

My pledge to you is that we will work tirelessly to do that. It should be worth noting, that even with the proposed tax increase, after adjusting for inflation, the city's tax rate is less than it was 10 years ago. I understand that those are your hard earned dollars and I pledge to you

our efforts to use them wisely as we work to make Knoxville America's Premier City in which to live, work and raise a family.

Thank you for giving me the opportunity to serve as your Mayor.