



Mayor Mitchell J. Landrieu
State of the City Address
Eyes Wide Open

Xavier University
New Orleans, Louisiana

July 8, 2010

Prepared Remarks

EMBARGOED UNTIL 3:00PM

Good afternoon, thank you for being here. Thank you to Dr. Francis and our Xavier family for hosting us today. Thank you to Father Tony Ricard for today's invocation. Thank you to Council Members and our city's elected officials. Thank you to the Zion Harmonizers.

When we last met on Inauguration Day, I spoke in aspirational terms.

We declared that we are no longer recovering. Now we are now creating. I challenged us to stop talking about rebuilding the city we were and start dreaming about the city we want to become.

We talked about this city's great promise that has not yet been fulfilled. We recognized that this promise will only see life when we learn to love our neighbors as ourselves. On Inauguration Day, we were called to accept the awesome responsibility that history has laid at our doorstep.

We agreed that it all begins with one step. One team. One fight. One voice. One city. One single step.

So during my first two months in office, we went to work transforming this city, one step at a time. In my first days, I spoke to President Obama regarding the oil spill. And I called upon the Department of Justice to partner with us to reform the New Orleans Police Department. With the help of community leaders, we conducted a national search and found the best police chief in the country.

I signed a series of executive orders to completely reform the procurement process – opening doors of opportunity for more Disadvantaged Business Enterprises and creating for the first time in the city's history a Chief Procurement Officer. Now, contracts in the city of New Orleans will be awarded based on what you know, not who you know. And local and minority-owned businesses will compete on a level playing field. Many groups have pushed for these reforms for years.

We instituted them within thirty days.

As you can see, we have begun to change the culture at City Hall.

We moved back to a five day work week, and we are now open longer from 8AM to 6PM providing citizens with full access to all services. We also began an extensive audit of the city's budget and of city services. For this reason, I am taking the unusual step of giving this state of the city address now rather than at the end of my first year in office. Today, I will outline what we learned during our initial assessment. I want to take stock of where we are, and give the people of New Orleans an honest, unvarnished appraisal of where the city is today.

We are here to pull back the curtains and let the sunlight shine in – so that together we can see, with eyes wide open, a truthful and open picture. We will, together, create the city of our dreams, but we must first come to grips with our reality today.

New Orleans is a great City, but she will never reach her full potential – and she will never fulfill her great promise - until we fundamentally change the way we do business. We will not be blind to the state of our city – it is one that has great potential, but one that is in peril.

One that has great hope, but hope is not a substitute for a winning strategy nor for the sacrifice that is required in order to get us from where we are to where we want to be.

There is an often-told story about a young man who was praising a famed pianist following a concert.

“I would give anything if I could play like you,” the young man said.

The pianist replied, “No you wouldn’t. If you would give anything to play as I do, you would practice 12 hours a day; your entire life would be the piano. You would give up everything else.”

The moral of the story is: there are many things people want to do, but are we willing to pay the price? If you want to do those things that are above and beyond the call, we have to prepare ourselves, we must be ready.

So where are we?

The BP oil crisis poses daunting challenges for our people and our city. That hellish hole is spewing the equivalent of an Exxon Valdez disaster every four days. We do not know when the oil will stop gushing or what the final impact will be on our environment and economy. We can feel that our entire way of life is threatened. From the fishermen in the Gulf to the waitress at Felix’s to the tour bus operator on Decatur. Our eyes are wide open and every one of us knows what is at stake.

Just this week, tar balls and oil sheen entered into Lake Pontchartrain – a Lake that our community has rallied to clean and protect for decades. We’ve been working closely with the Coast Guard and all of the parish presidents, including Kevin Davis, for over two months to prepare for this fight. We’ve put in place four layers of defense, fortified with barges and boom. And when oil made its way past these barriers, skimmers and local boats were immediately deployed to clean it up.

I can assure you that we are doing everything in our power to protect our livelihoods.

The tourism industry is speaking with one voice as we lobby BP to fund our \$75 million marketing effort, still waiting for an answer. I’ve pushed BP to fund training programs for 500 local citizens, so that the people of New Orleans are employed in the massive clean-up effort. What people really want is the opportunity to work.

For this reason, I’ve urged the President to quickly implement a much more vigorous oversight process for offshore drilling and lift the 6 month moratorium.

Get the protocols in place. Work day and night. Work as if jobs and lives were at stake because they are. We’re the tip of the spear in providing energy independence and national security for our country. We’re neck deep in this crisis, and so are all Americans. Our mission is clear. Cap the hole. Capture the oil. Clean the coast. Compensate the families. Get back to work. This is an American tragedy that requires an American response.

But just as the dramatic consequences of the BP oil spill continue to grow, so too do the dramatic consequences of this city's budget deficit. Like the spill, it's worse than we thought and there are no quick fixes. We must plug the hole.

During the transition, we were told that the city had a \$35 million deficit. If that was not bad enough, when my team got into City Hall, we opened the books and after a thorough audit found that the budget deficit was \$62 million.

Since then, we discovered that the city failed to properly account for a \$5.5 million deficit in 2005. So the gap is now \$67 million. With only six months left in the year, we face a \$67 million deficit. We are obligated by law to have a balanced budget. The budget that we inherited and must live with was passed last year, and during the first five months of 2010, it was mismanaged from the top to bottom.

For too long, we have created unrealistic budgets, and it has been common practice for departments to overspend their personnel budgets in some cases by more than 20%.

We are living well beyond our means. Two years ago, the city spent \$58 million more than it took in. Last year, it spent \$50 million. In 2007, we had \$72 million in reserves. Today, we have zero. We've tapped out our loans. We have very little one time recovery money left to get us out of the hole. On top of that, we estimate that the City will soon have over \$100 million in unpaid state and federal court judgments and settlements. Our day of reckoning has come and it has been laid squarely upon our shoulders.

Adding insult to injury, without a budget strategy or proper management this city did not even deliver good results. A 2009 review by the Office of the Inspector General found that we spend more per person on municipal services than nearly any other comparable city in America. In short, we are spending more and getting less.

To deal with this budget shortfall, we have nothing but hard choices to make. There are no good options. In effect, we must trim our budget by 25% for the remaining six months. Which reminds me of a Boudreaux and Thibodaux joke my dad used to tell me.

Boudreaux and Thibodaux got a pilot to fly them to Canada to hunt moose. They managed to bag six. As they were loading the plane to return, the pilot said the plane could take only four moose. Of course, they objected strongly. "Last year we shot six and the pilot let us take 'em all in that same plane as yours."

Reluctantly, the pilot gave in and all six were loaded. But even on full power, the little plane couldn't handle the load and went down. Miraculously, Boudreaux and Thibodaux survived the crash. Lying in the wreckage, Boudreaux turned to Thibodaux, and asked, "Any idea where we are?"

Thibodaux replied, "I think we're pretty close to the place we crashed last year."

The point is obvious- if we continue to make the same mistakes we can expect the same outcomes. We can no longer allow this city to live beyond our means. If we close our eyes and do nothing, we will face dire consequences. We would likely return to junk bond status, which would put all projects in serious jeopardy. If I allowed the police department to continue to spend without regard to their

budget, at the same rate that they have spent for the first five months of this year, they would essentially run out of money in October.

I instructed Chief Serpas to reduce the budget he inherited without compromising public safety. While layoffs and furloughs are a last resort, earlier this week, the NOPD dismissed 50 non-essential employees. To understand how the NOPD's personnel budget got bloated consider this: In March, the NOPD started a recruit class knowing there was no money in their budget for such a class. In the past, it was also common practice for even those who failed to be offered jobs in the NOPD civilian force. This doesn't make any sense, and we will no longer allow this practice. I've also ordered each department to curtail the massive overtime payments that have exploded the city's budget.

For example, we provided security for this year's Essence Festival. Chief Serpas organized a series of 8 hour shifts for our officers. Same level of service – just without incurring unnecessary overtime costs. By working smarter, we saved more than \$250,000 for this event alone.

And across all departments, we've reduced overtime from as high as \$3.5 million in February to less than \$1 million in May and June. And we expect it to drop even further as all departments manage their overtime budgets effectively – saving the city well over \$10 million by the end of the year. I've made it clear that we will not tolerate departments overspending their budgets.

We are currently projecting departments are over budget by \$27.9 million. But I have ordered each department to develop a plan to live within their 2010 budget. So in addition to cutting overtime, they are also reducing hiring and travel in order to balance their budgets.

We are also cutting and renegotiating contracts.

For example, we restructured the MWH recovery contract to save the tax payers \$1.1 million over the next three months. We are cancelling two IT projects to save \$1.3 million and reducing five IT contracts to save an additional \$800,000 this year. In fact, all contracts are under review.

And we worked with our banking partner to successfully reduce the interest rate that was being charge on the debt supporting our Pension Obligation bonds. As a result the 2% interest rate reduction will save the city \$2.4 million annually. To increase revenue we are planning to sell 3,000 tax-adjudicated properties. We are also working to improve the collection rate of unpaid and overdue taxes.

In the previous administration, word around City Hall was that enforcing tax collections was bad for business. We're changing that culture and are even looking at adding auditors for sales tax collection.

And while many critical government functions are grossly underfunded, there are examples of wasteful spending that we are identifying and cutting. In the last year, the city paid over \$50,000 to store \$70,000 worth of unused furniture still in boxes. We were poised to spend \$11,000 on an educational program for an employee that no longer works at city hall. And the City spent more than \$100,000 in grant funds on a recovery web site that nobody knows about.

The budget is the single most important city document affecting the lives of citizens. We should look at the budget as a moral document – because it says everything about who we are and what we value. That’s why we’re putting in place a new process to develop next year’s budget – one that focuses on results.

The first step in setting budget priorities will be getting community input. So, I am hosting a series of community meetings in each Council District this summer. I invite you - in fact I implore you - to take part in these meetings.

We have tough choices to make, so let your voice be heard. Tell us what you want. We will listen. Once we put our budget together, I commit to you that we will manage it with transparency and accountability.

Making our city safe is my top priority. A scathing report commissioned by the last administration, written by former Houston Police Chief Lee Brown outlined the systematic weaknesses of the police department. The Brown report said that the NOPD needed to improve nearly every aspect of the organization.

Crime in this city has been unacceptable for generations. The culture of death and violence on our streets is unnatural. We have the highest per capita murder rate in the country, over ten times the national average.

Ten times. And there have been 35 murders since I took office 67 days ago.

But these crime statistics only tell part of the story. No one can quantify the worry of a mother or the nightmares of a child who has seen too much.

CNN called us one of the most dangerous places in the world. And Time Magazine asked the unbelievable question, “Is Baghdad now safer than New Orleans?”

New Orleans is not Baghdad, but with eyes wide open we can see that some of our citizens live in a war zone. But we are not battling some foreign foe. We are fighting against a cycle of violence fueled by desperation and poverty on a field of battle that starts on our own front porches.

As a result of our partnership with the Department of Justice, we now have the full weight of the federal government behind our reforms of the police department. With Chief Serpas, we’ve opened Comstat meetings to the public. Beefed up the homicide unit. Reorganized a bloated management structure, to put more police on the streets rather than behind desks.

And we’ve increased coordination across the criminal justice system. Just yesterday, we secured an \$8.5 million grant that will fund an additional 78 full-time firefighters to serve on the frontlines. These additional hires will bring the Fire Department staffing back to pre-Katrina levels and will provide faster, safer, and more cost-effective service.

A long term solution to our crime problems must start with providing an excellent education to our young people. Thanks to the hard work of parents, teachers and education leaders, New Orleans is a national model for education reform. For three straight years, student achievement and test scores have improved significantly. More students are graduating and enrolling in college instead of dropping out.

But while the Recovery School District improved their pass rate from 37 percent to 43 percent -- by far the largest increase in the state -- it still means that 57 percent of our students fail to read, write, or do arithmetic at grade level.

We must confront these brutal facts because education is the civil rights movement of our generation. To rebuild our schools, I'm working closely with the congressional delegation and education leaders to secure a \$2 billion lump sum settlement from FEMA.

This \$2 billion settlement will provide an unprecedented opportunity to build schools worthy of New Orleans' children. These schools must be built in a way that aligns with our master plan so that they become the center of neighborhoods and lynch pins of positive community resurgence.

As a parent I know that our children and New Orleans itself will only be as successful as our schools. We have an obligation to get this one right.

And when school is not in, we need to do a much better job of providing enrichment and recreational opportunities for our young people. When I was a kid, NORD had great playgrounds and sports teams and even theatre, dance and music programs. But when I came into office 67 days ago, I found a recreation department that would make you weep, one that is under-funded and under-prioritized.

We found many of NORD's facilities are in shambles -- swimming pools without filtration systems, no restrooms and no shower facilities.

These challenges can be overcome and we are taking steps to get NORD moving in the right direction. I have been working closely with the City Council on a Public-Private Partnership that will manage and provide new resources for our city's recreation efforts.

I am hopeful that the public will approve the City Charter change on October 2.

In terms of jobs, the good news is that prior to the oil spill, the New Orleans metro area had a 6% unemployment rate, the lowest of any large metro area in the country. But even with recovery in some sectors, the local economy remains deeply wounded. Good-paying jobs elude many residents. The oil spill provides new uncertainty for tens of thousands of local workers. New Orleans has lacked a strong economic development effort for many years.

I look forward to launching a much-anticipated public-private partnership to coordinate the city's economic development efforts. This is a major step forward and one that has been a long time coming.

We are also working with regional partners to attract new business to the city and retain existing ones. In the last three weeks, we've added new direct flights from the Louis Armstrong International Airport to Toronto and Los Angeles. And we are poised to announce that an important downtown property will be put back into commerce in time for the 2013 Super Bowl and other marquee events.

An important factor for attracting new business is quality health care. Our healthcare statistics are bleak. We have high infant mortality rates, high premature death rates, high obesity rates, cancer

rates, and suicide rates. And while health problems have gone up, health care options have gone down. Hurricane Katrina devastated our hospitals and clinics and displaced our corps of doctors.

Now, the oil spill poses new challenges, as we struggle to meet the need for mental health services. But even before Katrina and the Oil Spill, we did a lousy job of taking care of ourselves – through preventative care, nutrition, and exercise. It's time for us to view these issues with urgency and eyes wide open. It's a matter of life and death.

As you know, our country passed Healthcare Reform last year. In that context, in the coming years, we will rebuild our health care infrastructure. Just two weeks ago, we broke ground on a new VA hospital. And the new University Medical Center will soon come on line.

Because we only have one chance to rebuild these hospitals, we need to get it right. I will work with the state to ensure that the design of the new University Medical Center will align with the City's Master Plan.

In addition, we have delicately balanced the need for economic development with historic preservation by insisting on moving up to 100 historic homes from the footprint of the VA, saving them from demolition. And we'll do it with no affect to the time or overall budget of the project.

Yet this project will not solve all of our healthcare problems. In the New Orleans metro area today, more than 87 health clinics, serving as a national model, provide healthcare to more than 292,000 residents, approximately one-third of the metro area population. But they stand to lose substantial federal funding. We are pushing for a solution to this problem because our network is a national model.

In New Orleans East, Gentilly, and the Ninth Ward, 80,000 residents are 30 minutes from an emergency room. I want the residents of New Orleans East to know that I'm on your side.

Knowing that this was a pressing issue, I visited with the current owners of Methodist Hospital during my transition over 75 days ago. There, I asked them to come back to New Orleans and reinvest in Methodist Hospital to run it themselves. They declined.

They countered by attempting to sell their flooded buildings to the city for \$40 million, which is more than twice their appraised value. I then asked for a 60 day review of the deal that was on the table from the last administration and convened a working group of expert physicians and community members on the issue. I charged this group with developing a tangible strategy to open a full-service, sustainable hospital in the East.

Weeks ago, I asked the owners of Methodist to donate the Methodist Hospital building to the city, so we can open a full service hospital quickly. Again, they declined.

In the past few days, I met with UHS executives and offered to buy the property for its fair-market value of \$9.7 million. Not surprisingly, they declined again.

So, yes, I'm incredibly frustrated.

Frustrated that it's been five years and no hospital. Frustrated that an out-of-state Fortune 500 company would propose such a deal after pocketing over a quarter of a billion dollars in Katrina insurance proceeds. Frustrated that the previous administration and previous hospital service district couldn't get a deal done in five years and tried to push a questionable deal in the waning days of the last administration.

I asked for 60 days, a reasonable request, and our formal strategy will be announced on July 15 just over two months into my administration. And make no doubt about it, we will build a full service hospital with emergency care in New Orleans East, working with a new hospital service district board, because that's what the citizens of New Orleans East deserve.

In fact with us here today are the new members of the hospital service district that were appointed yesterday. Please stand and be acknowledged. I look forward to working with you to rebuild a hospital quickly.

Also key to the health of our city is affordable housing. To begin, HANO must be completely overhauled. A comprehensive review by the United States Department of Housing and Urban Development has found mismanagement at every level. Its finances are in shambles; HANO expects to operate with a \$6.7 million loss this year. And some HANO employees and contractors embezzled more than \$1 million. Fortunately, an experienced team from HUD will oversee the department until it can operate independently and we are working in full cooperation with them.

In addition, blight is a major issue for all of us. Figures from the Community Data Center paint a troubling picture with over 55,000 blighted properties in the city. Over a quarter of residential addresses- 27%- are still unoccupied, becoming breeding grounds for crime and plummeting property values.

To deal with these properties we need to properly use NORA as a true redevelopment authority. To that end, we passed legislation this session that will give NORA the tools it needs to not only address blight, but strategically rebuild sustainable neighborhoods.

Our eyes are wide open.

When I took office, I learned that we've outsourced management and the day-to-day functions of City Hall. Half of our Information Technology office are hourly contractors.

Some of our highest-paid contractors were providing even the most basic services such as reception and administrative work. Why should we be paying a contractor \$70 an hour for a clerical staffer who is performing simple administrative duties, like cutting checks, at City Hall?

It doesn't make sense. This is embarrassing and we are putting an end to it. By our last count, we have 655 capital projects being designed representing an estimated \$1.5 billion in potential costs.

One problem. The City only has \$1.2 billion to pay for those projects.

This shortfall means that great projects will run out of money or won't get built at all because the last administration overspent on design and no one managed against the real budget or bottom line.

With our eyes open, we will ensure that we don't waste precious dollars on designs for projects that we can't afford to build.

All federally-funded recovery projects have been put under review. And we've found complete and utter dysfunction at every level. A prime example is at Armstrong Park. A rushed process led to shoddy workmanship. Even basic tasks, like pouring the cement, were botched and had to be redone multiple times.

Workers have also damaged trees, curbing and sculptures in the park. Most recently, contractors damaged a statue of the park's namesake, Louis Armstrong.

Enough is enough.

That contractor has been ordered to stop work and we have begun the process to remove him from the job. I've directed my City Attorney to contact the bonding company and exercise the City's legal remedies to complete the work- on task and on time. Take notice – this administration has high standards and if you don't perform your contractual obligations, we will hold you accountable.

Maintaining our existing buildings is proving ever more difficult and expensive. Take your City Hall, for example. During my first weeks in office, I visited each office on each floor. I met a lot of great people, working in horrific conditions. One worker spends her day in a windowless space so small that it looks like a closet, not an office. Imagine my surprise when I later learned it actually was a closet prior to her moving in. For two years now, there has been no hot water in your City Hall. The elevators frequently get stuck. This is a shameful condition for the employees of City Hall to be working in.

City technology systems are also on the verge of collapse. When we took office, we found that ONLY 40% of the city's crime cameras are operational. And to top it off, no money was budgeted for maintenance so there is no money to fix these cameras. All of our IT systems are in dire need of a complete overhaul.

Many critical systems- payroll, finance, revenue- have single points of failure, meaning if one thing goes wrong, it will stop the entire system from working. According to experts, it is a shock that we have not yet experienced catastrophic data loss.

In terms of contracting, the City Attorney found over 200 contracts waiting for her review when she took office. Not a single contract - not one - was up to speed. Each contract had a problem that needed to be addressed – from technical problems and typos to clauses that were not in the best interest of the city.

To address this issue, our city attorney brought together department heads and her legal team. The team worked in a war room for three straight days to get those contracts corrected and moving. And she has put a new process in place going forward. The vast majority of City Hall employees are good and hard-working people caught up in an inefficient culture.

A study commission by the Business Council confirms that our civil service system “has not evolved in any meaningful way” over the past four decades and is in desperate need of an overhaul. We need

the ability to hire the best applicants and promote the best employees based on what you know, not who you know.

As we rehash the problems at City Hall and begin to chart a new way forward, it is a daunting task. But we know in our hearts that there is nothing broken here that cannot be fixed. No problem that cannot be solved. The hard truth is that the path will be long and arduous. And yes, it will require sacrifice. But we can get there, one step at a time.

So, what is the state of our city?

The state of our city is captured by Nicole Charles, a mother who prays for her children's safety each morning and can't sleep at night, restless with worry.

The state of our city is captured by Connie Uddo in Lakeview and LaToya Cantrell in Broadmoor who both will not give up. These neighborhood leaders are rebuilding communities, one brick, one house, one block at a time.

The state of our city is captured by Craig Cuccia and Sister Mary Lou in Central City. At Café Reconcile, they turned a blighted property into a center of opportunity for our young people. And took a young man like Michael Smith off the streets of New Orleans and trained him. Today he is serving as a pantry chef at The Rib Room.

The state of our city is captured by Kira Orange Jones and her Teach for America corps members who are committed to providing an excellent education to all our students.

The state of our city is captured by Sal Sunseri in the French Quarter. His family's business, P&J Oyster Company, shut down after 134 years because the oil spill killed his business.

The state of our city is captured by John Boutte. He's a musician whose sound is all New Orleans, and he's having a breakout year thanks to our booming film industry. The state of our city is captured by the men and women moving cargo at the Port of New Orleans and driving piles at the new VA Hospital.

The state of our city is captured by our boys in black and gold, sporting super bowl rings this year. And finally, the state of our city is captured by the work of Jerome Smith.

Mr. Smith has answered the call to serve – first in the Civil Rights Movement, then as a long-time coach at Hunters Field, and now at the Tambourine and Fan NORD summer camp in the Tremé Community Center.

For years, he has offered our kids a safe haven – a place where they can laugh and learn. A place where they are safe from the unforgiving streets of New Orleans. In my mind, Mr. Smith has entrenched himself firmly in the center of the battle for the soul of our city. And how do we send him into battle?

With nothing.

His request for basic supplies for his camp this summer was botched by bureaucracy. There are no board games, no crayons, no hula hoops. But, he doesn't close his doors or turn kids away. The heat index was over 100 degrees recently, and Mr. Smith's building does not have air conditioning. So he brings in fans and keeps the doors open and the kids still come.

There is a raggedy old bus that takes our kids to a raggedy old pool, not worthy of their great promise. But for many of these kids, that old bus provides the only ride they'll take to someplace new, and that old pool is their only escape from the hot summer streets. Mr. Smith's camp gives them a choice. It gives them hope.

It breaks my heart - because we can do better. You know it. And I know it.

All of us have a stake in making sure Mr. Smith's camp and those kids succeed – because he is your neighbor, no matter what part of town you live in. And his children are your children and they are our future.

So, while it is true that we have inherited a myriad of problems and City Hall is dysfunctional, it is also true that we own it now. All of us, together.

And while it will take longer than 67 days to turn the tide of dysfunction that has swept across this city for so long, it is our duty, yours and mine, to fix it and get us to where we want to be.

Where do we want to be? “Where there is no vision, the people will perish,” according to Proverbs 29:18.

In 2018, New Orleans will celebrate her 300th Anniversary as a world-class city. New Orleans will be a city of opportunity, with safe neighborhoods, quality schools for all of our children and good-paying jobs here at home. To move our city forward, the people of New Orleans will work together across the lines that divide us. The city will be secure, protected by strong levees and a restored coast. An open, honest, performance-driven government will show zero tolerance for corruption and will focus on getting the job done right.

We will transform the culture of death on the streets of New Orleans into a celebration of life and possibility. We will create a city in which we secure for every child their right to be well taught and well learned. We will provide every citizen the opportunity to work with dignity, to earn a decent living, to provide for themselves and their families.

We will find a way. And if we can't find a way, we'll make a way. We can, we must, win.

In the first 67 days of my administration, we have laid the groundwork for change with real reforms, and each day for the next 1397 days, we will keep moving in the right direction – one step at a time.

There's an old saying that the best time to plant an oak tree was 30 years ago. The second best time is now.

New Orleans, now is our time to create a city for the ages. A city that honors our rich heritage and our great promise. We will not stop. We will take one step, everyday. One step with eyes wide open,

empowered by the knowledge of where we stand today and believing in the promise of where we can be tomorrow.

One step.

Let's get to work, New Orleans.
God Bless.
