

2017 State of the City

Good afternoon ladies and gentlemen, thank you for your interest in the state of our city.

The City Charter of Colorado Springs directs that the Mayor is to report on the state of the city once each year. And I come here today, in the 146th year since the founding of Colorado Springs, to make such a report. This is my third State of the City speech since becoming Mayor in June of 2015.

My thanks to the Chamber of Commerce and EDC, their sponsors and the Broadmoor for once again hosting this event, and my thanks to the local media and Colorado Springs TV for providing wide dissemination of my remarks to the citizens of Colorado Springs and the Pikes Peak Region.

I'm grateful that my wife, Janet is here today. You'll recall that last year I spent the first five minutes of my speech telling jokes about our 40 year relationship. Much to her relief, I'm not going to do that this year. But I do want to publically express my gratitude for Janet's support of me and her support of our city.

In my first state of the city speech two years ago, I reported that the state of the city was good and the potential of our city was great. Last year I reported that the city had made significant progress on the continuum from good to great. As to the state of our city today, I do not believe I am being overly optimistic, nor am I exaggerating, when I suggest that Colorado Springs, as a result of the public and private investment of its citizens, is

beginning to achieve its potential and secure its place among the great cities of America.

We have made tremendous strides on the three priorities I outlined in my campaign for Mayor and in my first state of the city address.

First, to improve the political climate in the city by restoring a collaborative relationship between the Mayor and Council and between the City and other governmental entities in the Pikes Peak Region and the State of Colorado. Quite simply, a constructive political environment is necessary for community and economic development.

Secondly, to invest in the City's critical but long neglected public infrastructure, particularly our roads and stormwater system. To do so is

necessary for the health, safety and welfare of our citizens and downstream communities. But it is also critical for our future economic development.

And finally, to aggressively promote and facilitate new job creation, so as to increase the economic opportunities and quality of life for our citizens.

These priorities were established in response to the most significant challenges Colorado Springs had faced in the first 15 years of the 21st century.

So let me update you on our progress in addressing these priorities. First, I'm pleased to report that the City Council and I continue to work together on important issues necessary to move our city forward. We won't all agree on everything, but

the relationship is largely collaborative and professional and, unlike some other levels of government, we are addressing the tough issues that confront us. I want to extend my sincere gratitude to members of the City Council, several of whom are here today. Council President Richard Skorman, President Pro-Tem, Jill Gaebler, and Councilmembers Merv Bennett, Don Knight, Andy Pico, Tom Strand, Bill Murray, Yolanda Avila and David Geislinger. Would the Councilmembers please stand so we can acknowledge your good work.

I want to express a special word of gratitude to Merv Bennett for his service as Council President for the past two years. It was a pleasure working with Merv and we accomplished a great deal. And I

also want to compliment Council President Skorman. I don't think anyone would suggest Richard and I are in the same place on the political and philosophical spectrum. But we are on the same page as to the major challenges facing our city and I appreciate his collaborative approach to solving problems.

In terms of cooperative relationships with other governmental entities, I'm pleased that the level of communication has increased and I'm very pleased that the City and El Paso County are exploring the possibility of consolidating our respective offices of Emergency Management. This would allow us to more effectively and cost efficiently prepare for and respond to natural disasters and various other

emergency scenarios. And I believe there are other areas of possible regional consolidation to explore.

As to our need to improve the critical public infrastructure of our city, we continue to make great strides, but one of our foremost challenges, sustainable stormwater program funding, still needs to be remedied.

Improving our roads, as I hope you have noticed, is very much a work in progress. In November 2015 city voters overwhelmingly approved Issue 2C, allowing us to raise, over a five-year period, approximately \$250,000,000 for improvements to our deteriorating roads. We have worked very hard to efficiently implement Issue 2C, coordinating with PPRTA, Colorado Springs Utilities, local businesses and many others to maximize the

impact of our efforts. Utilities have been a great partner in the city's effort to address our long neglected infrastructure needs.

As the second 2C paving season comes to an end I'm pleased to report that by the end of October we will have paved 471 lane miles with 371,000 tons of asphalt and done 372,000 lineal feet of new curb and gutter. I want to thank our citizens for being patient.

This is a pay-as-you-go effort and you are going to continue to see lots of cones zones, particularly in the summer months. Please see this as a sign of real progress in fixing a problem that was a long time in the making.

And speaking of cones zones - one of our longest standing cone zones, the interchange at I-25

and U.S. 24 is coming to an end in October and I want to applaud the Colorado Department of Transportation and its contractors for bringing this very large project in on time and on budget.

It's been a remarkable project and the repositioning of the interchange to expose and enhance adjacent waterways has greatly improved the aesthetics and recreational opportunities in the vicinity. It's a much more fitting gateway to our city, the U.S. Olympic Museum to the east and the mountains and our neighboring communities to the west. The interchange project was made possible by local, state and federal investment.

We continue to make considerable progress in confronting the serious deficiencies in our stormwater program. But this November, the City

Council and I are asking the voters of Colorado Springs to let us finish the job and put this long-standing problem behind us. Some history is necessary to fully frame the issue.

Colorado Springs grew very quickly in the last half of the 20th Century. In fact, 80% of the city's growth occurred in the last 50 years. With that growth came a lot of impervious surface contributing to stormwater flows. This led to some significant flooding incidents, including one, in 1999, in which 68 million gallons of untreated sewage made its way into Fountain Creek. The state health department filed suit and tens of millions of dollars were spent to rectify the problem.

This served as a wakeup call to the mayor and city council to do what other major cities have done, create a stormwater fee and stormwater enterprise, to be used exclusively to fund stormwater infrastructure, maintenance and operations.

The stormwater fee was initially established in 2005 with the intention of raising \$15 to 16 million per year. However, in December of 2009, after a campaign to stop what Doug Bruce called a "rain tax", the City Council voted 5-4 to terminate the stormwater fee. This led to a drastic reduction in stormwater spending after 2009. And that led to serious legal problems for the city.

In 2008, Colorado Springs Utilities had gone to Pueblo County to seek what's called a 1041 permit

to construct the Southern Delivery System, a massive water delivery project that pipes water from Pueblo Reservoir to Colorado Springs and will supply our city's water needs for the next half century of growth.

The 1041 permit was issued and the Southern Delivery System, after a rate payer investment of \$825 million, was scheduled to go on line in April of 2016. But soon after I was elected Mayor in May of 2015, Pueblo County served a notice to sue on Colorado Springs and Colorado Springs Utilities to revoke the 1041 permit that was issued in 2008.

The suit alleged that Colorado Springs' elimination of the stormwater fee in 2009 and the subsequent decline in stormwater spending constituted a violation of the 1041 permit.

Pueblo sought to prevent SDS from going online in April of 2016. Through yeomen efforts by everyone involved the city and utilities were able to negotiate an intergovernmental agreement whereby we agreed to spend \$460 million over the next 20 years on stormwater infrastructure, maintenance and operations, including 71 specific infrastructure projects. This is essentially the amount that would be spent if the stormwater fee was still in place over those years. As a result of the agreement, the Southern Delivery System was turned on as scheduled in April of 2016.

But our legal problems were not over. In 2013 the Environmental Protection Agency did an audit of our stormwater program to determine compliance with our MS-4 permit, which has to do

with water quality. The EPA has jurisdiction because our stormwater runs into Fountain Creek and eventually into the interstate river system. The EPA audit alleged serious deficiencies stemming from underfunding of the program.

A 2015 follow up audit alleged that virtually no progress had been made and the EPA, the Colorado Department of Health and Environment, Pueblo and the Lower Arkansas Water Conservancy District have sued the city for water quality violations. The case is currently being litigated in federal court.

The bottom line ladies and gentlemen is this: to meet our various legal obligations surrounding stormwater Colorado Springs will need to spend an average of \$20 million per year over the next 20 years on its stormwater program.

Over the past two years we have developed a comprehensive plan and built an outstanding stormwater program. Our drainage criteria manual is state of the art and holds developers fully accountable for their stormwater improvements.

Many projects have already been completed and we are proceeding with the realization that in the modern era stormwater infrastructure can be designed as a water amenity with trails that provide hiking and biking opportunities. The voters have helped by letting us keep \$ 12 million of revenue over the TABOR cap to apply to stormwater projects in 2017 and 2018. But we remain the only major city in the United States that does not have a dedicated stormwater fund and which is paying for its stormwater program out of general funds. This

has and will continue to have significant consequences for delivery of essential city services, including police and fire services.

I believe and I think most of the City Council agrees that one of our major tasks over the next decade is to ensure that our police and fire departments are adequately staffed and compensated as to attract highly qualified public servants.

At the present time Colorado Springs has 14 police officers per 10,000 residents. That is significantly below the national average for cities our size and is now adversely impacting our response times for critical incidents.

Our objective is to respond to high priority calls in 8 minutes, but with current staffing, we are

averaging close to 12 minutes. In fact we are meeting the 8 minute objective less than half the time. We need to add at least 100-120 police officers over the next several years and that will add as much as \$10-12 million annually to the city budget.

We also need to be vigilant about fire department staffing. Their authorized numbers remain below pre-recession levels. And we should also not lose sight of the fact that our general fund expenditures for parks and parks maintenance are also far below pre-recession levels.

As a result of this history and the current impact on essential city services, the City Council has referred to this November's ballot Issue 2A. We are

asking the voters to approve reinstating a stormwater fee for the next 20 years.

Rates would be a flat rate of \$5 per month per residential unit and \$30 per acre per month for non-residential development. This would initially raise \$17- 18 million per year to use exclusively for stormwater infrastructure, maintenance and operations. But that would free up a comparable amount of general fund to remedy police and fire staffing shortages.

Over the next 20 years the city council could raise the fees only as made necessary by a court order or as necessary to comply with the Intergovernmental Agreement with Pueblo.

Ladies and gentlemen, this would be a long term fix for a longstanding problem, and if the

voters approve, Colorado Springs will be on sound financial footing for at least the next couple of decades.

Investment in stormwater infrastructure is critical to our continued economic prosperity. I ask you all to become an advocate for Issue 2A and carry the message to your family, neighbors and co-workers. It is very important.

As to the third objective of economic development and new job creation, the news continues to be very good. According to the most recent U.S. Census Bureau population estimate, Colorado Springs remains the 40th largest city in America with a population of approximately 470,000. The median age of our population is 34.4 years, almost 3 years younger than the average

resident of Colorado. After a decade of very little job growth we have averaged about 8,000 new jobs per year for the past 2 years. And we are now beginning to experience significant wage growth.

Our unemployment rate that was about 10% in 2010, dropped to the lowest in recorded history, reaching 2.5% this past year. Colorado Springs now has approximately 13,160 job openings and 10,519 people looking for work. The median salary for posted jobs is \$69,600. That's about \$4,500 higher than the median salary for Colorado. While these numbers reflect prosperity, they also reflect one of our ongoing challenges.

Many of our job seekers do not have the requisite job skills and knowledge to fill openings in fields ranging from healthcare and system

engineering to welding and construction trades. But I am pleased that we are seeing an increasing level of communication and cooperation between our business community and our high schools and higher educational institutions, particularly Pikes Peak Community College, to ensure we have more local students equipped to join our workforce. And Colorado's support of European style apprenticeships as a means of helping students become workforce ready also holds great potential. Effective workforce development will remain a very high priority for our community.

Our local real estate market remains one of the hottest in the country. The demand for new and existing houses is far greater than the supply. The average price of a home in Colorado Springs has

risen over 17% from \$275,417 in July 2015 to \$323,247 in July 2017.

Commercial real estate activity is also increasing significantly. Rents are also rising and that evidences another challenge that our community, and many others, now face, and that is affordable housing. The City of Colorado Springs is not in the housing business. But it will continue to use available tools to facilitate the expansion of affordable housing in the community.

Housing units managed by the Colorado Springs Housing Authority need to be updated and the inventory expanded over time. We need to encourage development of affordable units through non-profits like Greccio, Partners in Housing and Rocky Mountain Community Land Trust. And we

need to ensure developers are aware of the various incentives available to construct affordable housing.

I am pleased to report that by the end of next year 545 new affordable units will be available in the city for homeless veterans, working families, seniors and the disabled. Most of these units will be available to households making no more than 60% of the area median income. Some will be available to those making no more than 30%.

Speaking of addressing community challenges, I want to thank those individuals and organizations that are working so hard to extend and improve our ability to provide food, shelter and services to the situational and chronically homeless in our community: the Springs Rescue Mission, Salvation Army, Catholic Charities, United Way, Urban Peak,

Peak Vista, Community Health Partnership and all of the Continuum of Care members. These agencies are working together to provide complimentary and not duplicative services. We have made a great deal of progress over the last few years and we have a unified vision as to what remains to be done.

I also want to thank our local churches and their pastors. Over the last couple of years I've challenged them to adopt the homeless as a ministry and they've responded with thousands of volunteer hours and hundreds of thousands of dollars in charitable giving.

Our health care sector in Colorado Springs continues to increase infrastructure and pursue excellence. The construction of our new Children's Hospital is underway, as is a major expansion of

U.C. Health- Memorial and Penrose St. Francis. Penrose, in partnership with the University of Colorado, Colorado Springs, will soon break ground on the William J. Hybl Sports Medicine and Performance Center, a facility that will be world class.

UCCS continues to be a huge economic driver for our city and we look forward to the opening of its fantastic Performing Arts Center early next year. I want to take a moment to thank Chancellor Pam Shockley- Zalabak, who retired this past year after 15 years at the helm of UCCS. She transformed the university from a small commuter school to a research university and she did it with sheer will and determination. (Recognize if present).

I also want to congratulate our new UCCS Chancellor, Venkat Reddy. He has big high heels to fill, but we're confident he's prepared for the job.

I also want to commend the service of General Michelle Johnson who recently stepped down as Superintendent of the Air Force Academy and welcome General Jay Silveria to that position. The Academy is a jewel in our city's crown, as is Colorado College, whose growth and prosperity as one of the best liberal arts colleges in America is evidenced by new construction on the campus.

In April of this year, UCCS, The Air Force Academy, CC and Pikes Peak Community College jointly launched the QUAD, a center for innovation and entrepreneurship. Under the leadership of Executive Director, Jacob Eichengreen the QUAD

will help us attract and retain talented young professionals.

Our local technology sector continues to grow, especially in the areas of aerospace, cybersecurity, software development and medicine. The National Cyber Security Center is getting its feet on the ground, moving into the old TRW building on N. Nevada. The downtown Catalyst Campus is growing and helping to foster a transformation of downtown as more people choose to work and live there. The new residential development in the City core is particularly exciting.

The Colorado Springs Airport is another good news story. In the last year we've added new destinations and many new flights, including four new destinations just this week. Enplanements at

the airport, after being up 11% last year, are on pace to be up another 30% this year. All of us need to support the expansion of commercial flights at the airport. I implore all Colorado Springs and Southern Colorado residents to look before you book and fly COS whenever possible.

Tourism in Colorado Springs is booming. As travelers look not just for things to see but rather adventures to experience, the Pikes Peak region is poised to benefit. Hotel and motel room rates and occupancy rates are rising. This is reflected in the fact that Lodging and Rental Car tax revenues, after growing 15% last year, are up another 17% so far this year. These funds are used to promote tourism and support events that attract tourists. A record

number of tourists are visiting Pikes Peak and the Garden of the Gods.

And while the Garden of the Gods is the gem of our outstanding parks system, we also opened John Venezia Community Park this summer in the Northeast sector of Colorado Springs. This 110 acre park with large open space, sports fields, tennis and pickle ball courts, and a terrific water playground is certain to be incredibly popular with residents and visitors alike.

In May we broke ground on the U.S. Olympic Museum and Hall of Fame. This world class attraction, scheduled to open in the summer of 2019, will cement our city's brand as Olympic City, USA. The Museum, in combination with the U.S. Olympic Committee, the Olympic Training Center,

and 23 national governing bodies makes us the heart of the Olympic movement in the United States. When you add 50 other amateur and professional sports organizations to the mix, we have built a sports eco-system that has become a major sector of our economy.

One significant challenge we have on the tourism front is to raise the funds necessary to construct a much needed new Summit House on Pikes Peak. The current cost estimate is \$50 million. The city enterprise itself can generate about \$25 million to apply towards the project. We are now entering a private fundraising phase of the effort. A Summit House that is worthy of the most visited mountain in North America will serve to make it an even more attractive tourist destination.

The most immediate issue before the City Council in terms of continued economic expansion is the approval of an amended annexation agreement for Banning Lewis Ranch.

Over the last 22 years, the city has lost more than 2,700 jobs and \$4.5 billion in economic benefit as the inability to develop Banning Lewis has caused development to leap frog the area into the county. Banning Lewis Ranch should be developed in a manner that delivers a great quality of life for its residents and more than pays for itself in terms of city services and public infrastructure.

Under the proposed amended annexation agreement the estimated revenue to the city is at least \$62 million over and above the cost of developing and servicing the area over the next 30

years. The Colorado Springs economy would grow by an estimated \$47 billion and we would add an estimated 35,000 jobs over that time.

As to other city priorities, we are very focused on increasing the opportunities for civic engagement and making it easier to do business with the city, to acquire information from it and convey information and opinions to it.

A detailed breakdown of city revenue and expenses is now available to all our citizens. Digital engagement is how most young people want to interact with their government. The GoCo Springs app which allows citizens to report potholes, monitor cone zones, contact city departments, learn about city events, monitor flights at our airport and many other things will be continually

improved to facilitate citizen understanding of and engagement in city government.

Speaking of citizen engagement, we are about half way through the two year comprehensive planning process known as PlanCOS. This strategic planning process, the first in 15 years, will determine the blueprint for what our city should physically look like in 20 to 30 years. And, I am proposing in the 2018 budget to begin a City Transportation Master Plan, which has not been updated in two decades.

We appreciate the robust citizen engagement we've already received and hope for continuing broad based public input on PlanCOS and a Transportation Master Plan.

My comments about citizen engagement with our city is a great segue to praise the efforts of so many dedicated public servants that do great work for the city and its residents. Whether we're talking about police and fire service, public works, parks or transportation, city finance, or city legal services, there is excellent effort and dedication put forth every day by our city staff.

I know we have the Fire Chief, department directors and key city staff here today and I'd ask them all to stand and be recognized. (Pause) I want to give a particular shout out to my Chief of Staff, Jeff Greene and my Executive Assistant, Wendilyn Guidotti. Jeff does a great job helping me manage the city departments and Wendilyn keeps me on time and sometimes on message.

While most of the news is good, the year was not without disappointments. Last year in my state of the city address I expressed disappointment at the pace the State was moving to address state highway infrastructure, particularly a much needed expansion of I-25 between Monument and Castle Rock. The seven day a week log jam between Colorado Springs and Denver is hurting commerce between our two great cities.

To its credit the Colorado Department of Transportation has moved up its planning timetable to make the project shovel ready by 2019. The City of Colorado Springs, El Paso County and other members of PPRTA are offering up some seed money to help with the El Paso County portion of I-25. But unfortunately, political gridlock in our State

legislature continued for another year and this vital project remains unfunded.

I urge all of you to vociferously urge our State legislators and Governor to put aside ideological differences, to get their priorities straight, to stop making excuses and get this project funded.

Ladies and gentlemen, I hope you agree with me that our city is moving in the right direction and taking its place among the great cities of America. We are all privileged to live in a city of remarkable natural beauty – in a city that is considered one of the very best places in America to live.

We are a city of tree lined streets and an outstanding system of parks and trails. We're a city that attracts people from all over the world to see and experience our sites and enjoy our sunshine

and healthy climate. Our challenge going forward is quite simply the same challenge that's confronted generations of Colorado Springs residents throughout our city's 146 year history. We have a legacy to uphold, the legacy of our city's founder, General William Palmer.

Palmer was our city's first developer, and he was a very good one. He envisioned building a beautiful city at the foot of Pikes Peak that would attract generations of settlers and tourists alike. His challenge was to grow the city's economy and build adequate infrastructure while maintaining a very high quality of life for our citizens.

Our challenge today, 146 years and 470,000 people later is precisely the same. We must embrace the challenge and continue to build a

shining city at the foot of a great mountain; to continue to create a society that matches our scenery.

Thank you and May God continue to bless the City of Colorado Springs.