



CITY OF COLUMBIA, MISSOURI

2017 State of the City Address
City Manager Mike Matthes
June 7, 2017

Dear Mayor, Members of the City Council, and Citizens of Columbia:

Good morning. It is my honor to present to you my sixth "State of the City" message. I am profoundly moved to tell you we are making excellent progress in many areas of our Strategic Plan, moving steadily towards a Columbia that truly is the best place to live, work, learn and play for all of us.

About a year and a half ago, we gathered together in Council Chambers to hear about the City Council's bold new Strategic Plan. It is an ambitious plan focused on doing what we can to ensure everyone who calls Columbia home has an equal shot at the good life; that all of us have an opportunity to thrive. Many of you here today were here then. You may remember the call to "look around us." It was a recognition that the city government would not be able to achieve the vision of City Council without the help of you, our partners; the Public Schools, Moberly Area Community College, Job Point, and Central Missouri Community Action, are a few examples of the partners we are so blessed to work with. We rely on one another. We are in this together. As they say in the school system, we are one.

It is my joy to tell you, that we, all of us, have accomplished something truly remarkable. We have begun to close the employment gap between white and black Columbians. The American Community Survey measures unemployment by race; they've measured it since 2005. The gap is now the smallest we've ever seen. When the City Council established the strategic plan, African American unemployment was 15.5% in Columbia. Today it's 11.9%. We still have work to do, but we're gaining on our goal.

I highlight this first because we have come to understand that jobs ARE social equity. Because more African Americans are working, poverty in this demographic is going down.

I am proud to work with Mayor Treece, Clyde Ruffin, Michael Trapp, Karl Skala, Ian Thomas, Matt Pitzer, Betsy Peters, and over 1,400 women and men who have devoted their lives to this work. The work isn't easy. There is a political price to be paid by the Council, exacted by a handful of passionate critics, that the press repeatedly quotes, for daring to incentivize firms like Aurora Organic Dairy to expand their business in Columbia (who will employ over 140 columbians). Over the past few years, the Economic Development Department and The City Council have helped to create or retain over **1,000 jobs** at companies like Dana, Kraft, NorthWest Medical Isotopes, and Aurora Organic Dairy. The Council does this because jobs ARE social equity. The only path out of poverty is a good job that pays a living wage. Thank you to Job Point and CMCA and so many other non-profits who work every day to win this struggle against poverty.

Now, some of you are thinking, you can't get a good job without a good education. And you are right. After we recovered from the surprise of reducing poverty in Columbia, we couldn't help but wonder, how did we do it? Obviously jobs, but how did we (all of us) manage, for the first time in memory, to get the jobs to the people who need them?



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Well, after a lot of research, I think we have the answer. We did it together. Here is the other motive force, the other thing that we did, that helped our community begin to claw its way out of poverty.

The Columbia Public Schools graduation rate. Look at that! 13% increase in the number of African American students graduating compared to 2011. One thing we know for sure is that a high school graduate has a good chance, if they grab it, to live a life of meaning. Without a high school diploma, you are very nearly guaranteed a life sentence of poverty. This is critically important. And we as a community owe a debt of gratitude to the School Board, our teachers and staff, and Superintendent Peter Stiepleman for helping our kids achieve this.

You can probably guess, that I could not help but ask the next natural question... "how did they do that?" To answer that, I am breaking with tradition, and inviting our superintendent, Peter Stiepleman, to share this video message to answer that question. How did they increase african american graduation rates by 13% in 5 years?

A video with CPS Superintendent Peter Stiepleman was shown. The video is available on Como.gov

Thank you Peter. We are all grateful for the outstanding work of the Columbia Public Schools.

Community Policing

If this amazing news makes your day, wait, there's more! A little over a year ago, I asked Chief Burton to dedicate three officers to a community policing effort in our three strategic plan focus neighborhoods. The Chief said 'no'. I was stunned until he said, 'We're going to give you six officers.' In hindsight that was a very good decision.

We've completed one year of neighborhood based community policing and the preliminary results are in. 7 out of the 8 categories of crime we worry about the most are down. They have fallen by double digits. This is outside the standard deviation. It is not normal variation from year to year.

Our strategic plan neighborhoods equate to about 4 and a half percent of the geographic area of the city and just under 14 percent of the population of the city. Since we started community policing, these neighborhoods are responsible for half of the drop in crime city-wide.

In our 3 Strategic Plan neighborhoods:
We experienced 846 fewer calls to 911.
We saw a 38% reduction in shots fired calls.
24% reduction in rape
53% reduction in robbery
50% reduction in aggravated assault
24% reduction in burglary
14% reduction in larceny-theft
16% reduction in motor vehicle theft



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Overall, if you add all of these together, we experienced a 30% drop in crime in just one year in our strategic plan neighborhoods. This kind of work sends ripples throughout the city. When crime drops this far in a part of the city, it drops in all of the city. For an example, look at aggravated assaults.

In one year, aggravated assaults dropped by 117 city-wide. 64 of those 117 fewer assaults didn't occur in our strategic plan neighborhoods, the neighborhoods with community policing. Another way to view this is that 14% of the city has seen 54% of the drop in assaults. So city-wide, aggravated assaults fell by 27%. In the neighborhoods with community policing, they fell by 50%.

These results were produced by the dedicated work of Officers Heese, Anthony, Lenger, Parker, Rodriguez, and Shull, Sgt. Hestir and Lt. Jones. We all owe them a debt of gratitude. The nice thing is, they are here today. Let's show them how we feel about their incredible work.

Now for the bad news

Well, that's the good news. Unfortunately, there is also a fair bit of bad news to share with you today. If you watch financial news, you will be well aware of the increasing impact the internet is having on the nation's retail economy.

Credit Suisse predicts more than 8,600 brick-and-mortar stores will close in 2017. That would amount to the loss of 147 million square feet of retail space in the US. Sears Holdings stated to investors in March that it has "substantial doubt" that it can survive the year. In the first quarter of 2017, Amazon sales totaled \$35.7 billion (that's billion with a b), up 22% from the first quarter of 2016. North American sales of \$21 billion, up 23% from the same time last year. Amazon profit also surged in the 1st quarter, jumping 41% to \$724 million.

Why is this important? It's important because Columbia's economy is heavily dependent on the retail economy. In the last 20 years, Columbia has lost half of its manufacturing jobs and replaced them with retail jobs. That has led to an increase in poverty, but at least it's a job! Now, even those will be vanishing at an increasing rate. We've already seen Macy's close, MC Sports is gone, even stores in our beloved downtown have failed. All of the indicators I watch point to a very dark year for traditional retail and a bright year for online retail.

Now consider the struggles of Mizzou. Enrollment is down, the University is having to cut their budgets deeply because of that. Over the last two years Mizzou is down nearly 2,400 students. This means 2,400 fewer shoppers, over 2,400 fewer renters. This comes at a time when thousands of new student housing units are coming on the market. The student housing boom is over for now. Interestingly we are already seeing amazing reductions in the rents being charged for student housing.

In addition to the enrollment reduction, three hundred jobs are being painfully eliminated at the University's Columbia campus, about half of which are already vacant. These problems will have a noticeable negative impact on Columbia's economy.



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What do these two big problems mean to the city government? We have, and we will continue to have, a serious revenue problem. We built our funding system on a sales tax approach with no notion of a non-taxable online world. The world has changed. The Federal Government does not seem to have an interest in ending the subsidy of online retailers. It continues to allow them to avoid sales tax.

We have made difficult choices to reduce our spending to match the revenue we receive. Last year, we made the decision to postpone replacing any of the General Fund fleet and we implemented a delay in hiring of 45 days for all General Fund departments other than Police and Fire. We continued those approaches into the current year and we trimmed spending everywhere we could on things like postage, paper, and other office supplies. We will be forced to continue these techniques next year as well. Unfortunately these alone will not be enough to make up for the growing loss of revenue. The draft budget I will deliver to the City Council in July will balance, but it will include other budget cuts in addition to these.

What can we do to change our fate?

I am here to tell you, the growth of internet transactions is going to continue to increase. On top of that, we will have thousands of fewer shoppers in our city. The city government has a severe revenue problem. In many ways, a City Manager is a steward of the city government. Stewardship is defined as the protection of something considered worth caring for and preserving. As a steward, I recommend three actions to begin to change our fate.

1. Until the federal and state governments end the massive subsidy of online retailers, we must recognize that the only action within our power to address our shrinking revenue, is to move away from the use of sales tax as a funding source. We should look to property tax for future ballots for public safety and roads.
2. We need not labor in darkness. We should conduct a study of our retail economy. What parts of the retail industry compete well with the internet? What products do we as shoppers leave our city to buy? What could our commercial landlords do with that information?
3. Finally, I recommend we collaborate with Boone County to place a Use Tax on the ballot at the same time. This tax will not have a significant impact in the short term, but if the Federal and State governments phase out the massive tax subsidy of internet retailers, we would be positioned to receive sales taxes from internet purchases.

CLOSING

We are looking at some pretty spartan years ahead. We will not be able to do everything we hope to do. We will have to change how we have always done things if we want to thrive as an organization dedicated to the service of others.

That said, we still have capacity to make a difference where it matters. I'll leave you with a story; a true story, though it will seem like a movie script.



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Officer Justin Anthony is assigned to the Central neighborhood, where he connects with kids while fulfilling his role as a guardian of the neighborhood. In his words:

“At first some of them were leery of me being a police officer and all, but we’d shoot hoops together and eventually they came around.”

Justin built a team of 9th and 10th grade boys from all the strategic neighborhoods, and they did more than “come around.” They created a team and played in the Columbia Youth Basketball league and were sponsored by the Downtown Optimist Club. Now, when this video clip begins, they hadn’t lost a game all season. The score is 59-58, Blue is down by a point with 6.1 seconds on the clock. With seconds left in the game, the other team has a free throw. Justin’s team...OUR team...is in blue. Watch what happens.

A video clip of the final and winning shot was shown here. The video clip is available at Como.gov

THAT’S the power of community policing. By the way, the team is back together for a new season. Thank you Officer Anthony!

We are so proud to have the Columbia Police Department basketball team members with us this morning! Please stand while I recognize each of you.

**Bobby Carter
G-Quan Jennings
Marquez Lawhorn
Daylon Melsurih
Joshua Metye
Jaden Parker
Gerrod Taylor
DeAngelo Washington**

So from the city government’s perspective, we are looking at some lean years ahead. Even though that will come, your city government employees will continue to work on the Council’s strategic plan, making a difference where it matters.

Thank you for coming today, and to our many partners, thank you for helping us make our corner of the world a better place for everyone.

I would like to take the next 10-15 minutes for your questions. Please use the microphone so we can capture your questions on the live broadcast and archive video.

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