



**Mufi Hannemann
Mayor of Honolulu**

State-of-the-City Address
February 19, 2009
Mission Memorial Auditorium

Good morning and aloha, honored guests, friends, ladies and gentlemen.

Thank you for joining me for my fifth state-of-the-City address.

Let me begin with a fable that many of you may be familiar with. It's called "Stone Soup," and it goes like this:

Some destitute travelers come to a village. But upon their arrival, the villagers are unwilling to share any of their food with the strangers. The travelers take out a pot, fill it with water, drop a large stone in it, and place it over a fire in the village square. One of the villagers becomes curious and asks what they're doing. The travelers answer that they're making "stone soup," which tastes wonderful, although it still needs a little bit of garnish to improve the flavor, which they don't have. The villager doesn't mind parting with just a little bit to help them out, so it gets added to the soup. Another villager walks by, inquires, and the travelers again mention their stone soup, which could use just a few more ingredients. That villager hands them a bit of food to help out. More and more villagers walk by, each adding another ingredient: potatoes, Portuguese sausage, adobo, Nalo Greens, shoyu. Pretty soon, everyone is enjoying a delicious and nourishing pot of soup.

The moral is that when we put aside our personal wants and differences, when each of us contributes and sacrifices, then we can achieve a greater good. And that's what we urgently need to do during this very difficult time in our lives.

What it will take to work ourselves out of this situation is collaboration, creativity, and a commitment to a cause—and that cause is improving the lives of our people. That cause is taking our Honolulu, our home, as our collective responsibility and making it the best place in the world to live, work, and raise our families.

Economy

Nowhere is that more important than with our economy. We know what are problems are. Let's talk instead about what ingredients we're adding to our stone soup.

Federal Stimulus

Just last week, Congress put the final touches on a 787-billion-dollar stimulus package, of which at least 678 million dollars will flow to the Hawaiian Islands, thanks to the leadership of Senator Dan Inouye, head of the Appropriations Committee, Senator Dan Akaka, Congressman Neil Abercrombie, and Congresswoman Mazie Hirono.

We lobbied hard for a share of the money through my role with the U.S. Conference of Mayors, and in tandem with my colleagues on the Hawaii Council of Mayors, when we stated our case to our Congressional delegation and others on Capitol Hill. I'll be leaving this afternoon for Washington, D.C., as part of a select group from the Conference of Mayors, to meet with President Obama, Vice President Biden, and members of the cabinet at the White House tomorrow. Rest assured I'll be asking for the prompt release of the stimulus money and its funneling to the counties, and encouraging this new administration for a continuing dialogue with the mayors, who are on the front lines and know what's best for their cities and counties.

While the ink on this measure is still wet, and the federal government needs to figure out how to award the money, there are some very positive signs. Senator Inouye tells us that there'll be 170 million dollars for roads and buses, plus 51 million dollars for waste water and sewage upgrades, for starters.

The package includes 4.1 million dollars in Community Development Block Grants for the islands. CDBG is a little-noticed but invaluable program through which we provide grants to organizations, like Catholic Charities or Goodwill Industries, serving economically disadvantaged areas. Much of the money is used to build facilities.

It contains 2.8 billion dollars for the Energy Efficiency and Conservation Block Grants, a program initiated by the Conference of Mayors. Modeled after the CDBG, this will be a first for the nation with money going toward retrofits, energy-efficiency projects, and the creation of green-collar jobs.

The Community-Oriented Police Services, COPS for short, will receive one billion dollars to support local law enforcement, which could enhance Honolulu's standing as the safest big city in America. We also hope to see some of the 50 million dollars budgeted for the arts, an underappreciated generator of business activity, as anyone who's visited the ARTS at Marks Garage or Hawaii Theatre can attest.

Here at home, the City's stimulus involves nearly one billion dollars in capital improvements for this fiscal year, and another 1.7 billion dollars budgeted for the coming year, with spending targeted at our traditional priorities of roads, sewers, and public

facilities. I'll be providing details on our plans when I submit the City's budget early next month.

Unbelievably, at a time when decisive action and unity are critical, there are some in the nation, including some right here in town, who pooh-pooh the stimulus program. These doubters don't believe it'll help. Well, I beg to differ.

Investment in our infrastructure is vital to our very quality of life, a theme that's been a hallmark of my administration. A sound infrastructure means paved roads, efficient water and sewer systems, and well-maintained public facilities. But it also supports tourism. It provides jobs for the building industry. And it provides the foundation for a better quality of life for future generations.

My pledge to President Obama, Senators Inouye and Akaka, and our Congressional delegation, is that the City and County of Honolulu will do everything in its power to ensure that the federal stimulus dollars are put to good use to help our economy.

Permitting

With so much at stake, we must make sure that we put people to work as soon as possible. All of these projects require City permits, and we think streamlining the permit process will ensure that projects are indeed shovel-ready.

The Department of Planning and Permitting will be reducing its approval steps for City construction permits to a one-time review, after which the architects and engineers in our agencies will use their experience to ensure compliance with building codes and regulations. This can be achieved with the existing staff, enable agencies to begin construction earlier, and free DPP's staff to devote more time to permits submitted by private developers and contractors.

We'll be instituting an Express State Permit process to streamline the permitting of state projects. State agencies will be given the option of obtaining routine building permits immediately, based on their assurances of compliance and their own internal plan reviews and inspections, which are now provided by the City. Similar to a self-check line, state agencies can be responsible for their own permitting while still under the general supervision of the City, which will continue its oversight when water, sewer, and other infrastructure issues are involved.

In that spirit of cooperation, we hope that state agencies with similar oversight, like Transportation and Health, can extend flexibility for the City's stimulus projects. This would free our permitting staff to devote more time to private sector projects.

Waste Water

Let's move on to our sewers. You know we're spending billions to upgrade our network of sewer pipes, force mains, and treatment facilities, which we're doing thanks to your

support. But the Environmental Protection Agency has determined that we must construct costly and unnecessary secondary treatment plants at Sand Island and Honouliuli, at a price tag exceeding one billion dollars.

The EPA ignored the unanimous testimony of dozens of local water quality scientists and engineers, who turned out en masse to testify that decades of testing and ocean monitoring proved the marine environment wasn't being harmed and there was no need for secondary treatment. The EPA, the supposed steward of our environment, refused to consider the fact that secondary treatment would actually be harmful to the environment because of the carbon emissions from what is a heavily industrial process.

The EPA also based its denial on outdated state water quality standards that differ significantly from what's considered appropriate today, a difference magnified by a typographical error that made them far more stringent than intended. The state Health Department agrees with us that the standards need updating, and agrees with us on what the correct standards should be, but claims it does not have the resources to do the right thing.

We're not taking "no" for an answer, not when we're all facing a costly requirement for secondary treatment, not to mention millions of dollars in potential penalties. We've appealed to the Legislature to update the water quality standards this session, and we hope that the Health Department will provide its input and support so that we can accomplish something that's long overdue and that will benefit us all. We'll also fight the EPA on its faulty determinations, and while the state has refused to support us in this effort, we have the science and the experts on our side. Yes, I know collaboration is the theme of my remarks, but sometimes, when you don't "feel the love," you have to put on the gloves.

At the same time, I look forward to an improved relationship with the new leadership at the EPA, and with the state to do what's in the best interests of our community, not only environmentally, but financially. I'm also open to dialogue with the Sierra Club, if they will focus less on penalizing and disparaging the City, and more on providing constructive input toward the challenges and choices we face together. I've been working with our Congressional delegation, especially our senior senator, regarding our ongoing negotiations with the EPA, for pretty much the entirety of my first term, and will continue to do so.

H-Power

We've signed the papers transferring ownership of H-Power, our waste-to-energy plant, from a private owner to the City, although we'll continue to have it operated by a private entity. We've budgeted 302 million dollars to construct a third boiler by 2011. That boiler will increase our capacity to recycle solid waste into energy to 900,000 tons a year, generate an additional 17 megawatts of electricity by 2012, and reduce our consumption of imported oil by 300,000 barrels a year.

By the way, Congress has temporarily repealed an arcane tax provision, called the alternative minimum tax, as part of the economic stimulus package. Without getting into its complexities, the bottom-line is that this simple change gives us the flexibility to continue having this public facility operated privately, without severe tax implications. The result will be a savings to taxpayers of a whopping 107 million dollars for the 25-year bonds we're selling to underwrite the H-Power purchase. So you can see that the federal stimulus program is already working for us.

Rail Transit

This wouldn't be a Mufi Hannemann speech without a mention of rail transit.

In November, we came away armed with a mandate from the voters. And we owe it all to a very dedicated and committed coalition of labor, business, the news media, government, and public-spirited groups and individuals who wanted to see rail succeed.

We've built up a fund of 300 million dollars, selected a route, and streamlined procurement processes, enabling us to solicit bids for an estimated 550 to 600 million dollar design-build contract to begin construction of the rail guideway. Other contracts for rail vehicles and maintenance yards will follow shortly so that there will be a billion dollars in contracts in place, creating hundreds of local jobs within a year for engineers and architects, planners, construction workers, suppliers, and more. The train is on its way.

After coming so far, and with so much at stake, some legislators and state administration officials want to take the transit money, steal it really, choosing to do what's easy over what's right. This is an utter breach of faith with the people. Let me say clearly and emphatically: My administration views any attempt to divert the transit money as illegal and I am working with our friends at the Legislature to defeat this harebrained scheme.

We've also begun planning in earnest for transit-oriented development—planned, thoughtful growth of communities that take advantage of the many opportunities created by rail transit, including affordable housing and business growth. We've gotten off to an excellent start with Waipahu residents and we'll have more community-based planning in other neighborhoods along the rail route. What's also exciting is that business and the public sector are joining the effort, with D.R. Horton and the University of Hawaii underwriting the East Kapolei TOD planning effort. We'll also be hosting another in our series of transit symposia, this one focusing on the environmental benefits of transit systems.

Honolulu's rail project will improve our quality of life, provide critically needed jobs, foster thoughtful growth, and sustain our natural environment. After 40 years of stop-and-go, we're finally moving forward.

HCOM

As I said during the course of my reelection campaign, the mayor's job is more than repaving roads and fixing the sewers. He listens, he collaborates, and he leads in areas that impact the lives of residents and visitors. I'd like to share some of our ideas with you.

I've made mention before of the strong and unprecedented partnership among your mayors. I speak of Kauai Mayor Bernard Carvalho, Hawaii Mayor Billy Kenoi, Maui Mayor Charmaine Tavares, and me, the Hawaii Council of Mayors, that was formed only a couple of years ago. We lobbied on Capitol Hill for the economic stimulus package. We submitted a legislative package to the Legislature. And we're exploring other ways to collaborate.

For example, the counties just entered into a cost-sharing agreement to benefit from economies of scale. The first project is establishing an all-counties electronic portal for the timely distribution of real property data recorded at the Bureau of Conveyances, and to serve as a repository of state and federal real property lease information for assessments.

There's strong interest in cooperating on information technology ventures, such as hardware, networks, telephones, security, and software. Another promising area is the joint purchasing of vehicles, equipment, and supplies. Our preliminary research tells us that purchases made on behalf of all the counties can be cheaper than purchases by the individual counties, even when inter-island shipping is factored in.

Hawaii Aloha on Tour

The mayors are looking to partner on economic development. Our sister counties take a much more aggressive role in tourism and business promotion than Honolulu, which traditionally deferred to the state. That's changed under my administration.

I've talked to Ed Hubenette, the regional head of the Marriott International, who shared details with me about his Spirit of Aloha promotional bus tour that enjoyed a very successful run on the West Coast and has now moved East. The team generated a surge of bookings for Marriott's Hawaii hotels using a similar formula as Aloha on Tour, which was a tourism and made-in-Hawaii promotion I created when I was the state's economic development head. I've spoken to him and John Monahan of the Hawaii Visitors and Convention Bureau about partnering with the Hawaii Council of Mayors on a similar project to stimulate more tourism from West Coast markets to benefit our counties. I know the mayors are very excited about this project and are committed through their personal involvement and participation to make this initiative a success.

Military Affairs

While we're doing great things with our sister counties, we're also enjoying a very beneficial working relationship with the military. The military is a very involved partner in our community, not only as an employer, but as a contributor to our quality of life.

The Mayor's Armed Forces Committee that I formed with all branches of the service meets regularly to discuss matters of mutual interest. In fact, this relationship led to our joining with the U.S. Army to help save Waimea Valley. There are many more opportunities to explore, such as initiating discussions with the U.S. Army to jointly expand water reclamation efforts in the Wahiawa and Schofield Barracks area.

Kapolei Land

We're looking to encourage similar partnerships with the state government.

For example, the City has 16 acres of property in Kapolei, which Kapolei Property Development generously donated to us for public purposes. Meanwhile, the state government recently forfeited a big chunk of free Kapolei land when it couldn't develop it in time. The City is inviting the state to join us in developing a one-stop center for things like, say, the state's unemployment insurance office and the City's Oahu WorkLinks, or state and county permitting functions. Why not step beyond our government boundaries for a project that improves services and moves us that much closer to making Kapolei not a second city, but a great city.

JTMC

We're proceeding with plans for the joint traffic management center, on Alapai Street, to serve as the headquarters for transportation management island-wide and a home for our first-responders. We're inviting the state to join us, so that overlapping, confusing jurisdictional responsibilities can be addressed by having state and City functions centralized under one roof and enhancing our prospects for federal funding.

Agriculture

We're also cooperating with others in our island community.

For the past four years, we've used our economic development funds to help the Oahu Resource Conservation and Development Council help farmers protect our soil and water. Our farmers, most of them operating modest, family-run businesses, don't have the time or money to learn about the best farming techniques. The City's 40,000 dollars was leveraged by the council into 371,000 dollars last year and more than 1.1 million the three prior years. That additional money came from the federal government. We plan to raise our support to 120,000 dollars, in the expectation that Oahu farmers can receive 750,000 to 1 million in federal resources to grow and sustain our ag industry.

We're now looking to partner with the Hawaii Farm Bureau to establish a premier farmers market, most likely at the Blaisdell Center parking lot. Farmers hope to attract commuters who park daily at the NBC and residents from the many surrounding condos with a late afternoon/early evening offering of fresh island products.

Non-Profits

One group I want to talk about is the non-profit organizations that do so much for us. I've always maintained that fiscal responsibility needs to be tempered with compassion. That's why I'm looking to partner with the non-profit sector to stretch our dollars. My friends in charitable organizations tell me donations are falling, grants are dropping, but demands for services keep climbing. Maybe non-profits can work together so more of them can have a cup of stone soup. I don't claim to have all the answers. But we can't afford to let our non-profits fail because they serve those most in need of help. I'm willing to take the first step to bring these organizations together to see if we can collectively come up with ideas that will enable them to continue their praiseworthy work on our behalf, with the City committed to doing its fair share as we have ably demonstrated with the CDBG program.

Budget

We're immersed in an economic crisis that has been as widespread as it has been swift. The City is being affected, to be sure, but thanks to the fiscal policies we established when we came to City Hall, we're in good shape. We said we'd be honest, truthful, and accountable for the public's money, and that's a promise we've kept. One need look no further than our high bond rating, the clean audits we've received from independent auditors, and a trophy case of financial reporting awards. We've set aside 27 million dollars in our rainy day fund and 92 million for other post-employment benefits as a reserve for our long-term obligations.

We'll have a budget shortfall, for the fiscal year beginning this coming July, of 50 million dollars, attributable mostly to flattened real property, fuel, and hotel room tax revenues, and fixed costs like police and fire fighter pay raises, fuel, and debt service.

We'll make up the shortfall through some severe budget cuts and cost-saving measures that we adopted earlier this fiscal year, like restrictions on hiring, reorganizations, leases, and equipment purchases. As a matter of fact, our hiring restrictions and cuts in budgets allocated for salaries have produced 65 million dollars in reserve, the equivalent of 740 positions.

But for the fiscal year that begins in July 2010, we expect revenues to decline by about 170 million dollars or more, depending on the duration and severity of the economic downturn. Moreover, state legislators have said that all money and revenue resources are on the table, so we don't know, right now, how their decisions will affect our budget.

We have to prepare ourselves, beginning right now. That's why we're developing a two-year budget, one that looks down the road, rather than what's at the next intersection. The budget my administration will submit to the City Council will take into account what we see a year for now and beyond. I'll be unveiling that budget on March 2, and it will take into account everything from operations to capital investments, fees, and revenue enhancements.

Aside from the traditional operations and capital improvements, there are a few budget-related matters that merit mention at this time.

Fire and EMS

In the interest of fiscal accountability and efficiency, I'll be convening a citizens panel knowledgeable of first-responder issues to work with the fire chief and emergency services director to explore a merger of these two agencies. There's a possibility a merger could present economies of scale by combining dispatch centers, supplies, equipment, and training. But any merger would proceed only if we can ensure that there will be no compromises on public health and safety.

Neighborhood Boards

We have 33 Neighborhood Boards that serve in an advisory capacity on a broad spectrum of community issues. While the members are dedicated to improving their neighborhoods, interest has been flagging, with a voter turnout of only 28 percent in 2007 and candidates winning seats with as few as 45 votes. I've asked the Neighborhood Commission to look into reversing that trend and increasing the effectiveness of the boards, not to mention saving money, by possibly realigning the boundaries and having fewer boards, as well as altering the timing and frequency of the board elections.

Project Management

Our Project Management Office, which we formed following our 2005 Mayor's Review, is hard at work on about a hundred cost-cutting or cost-saving measures. I've assigned the office to work with City agencies to look at everything from selling remnant parcels of land, to updating the leases we grant to telecommunications companies, to consolidating computer services, to ordering City vehicles with fewer options.

TheBoat

We've consistently maintained that an integrated, multi-modal transportation system offers the best remedy for our traffic headaches. Unfortunately, our pilot commuter ferry project, nicknamed TheBoat, has been a victim of the mechanical failures of older vessels, ridership challenges, a culture that's far too dependent on motor vehicles, and a landing site that hinders greater ridership. These problems notwithstanding, we know those who use TheBoat, love TheBoat. We recently replaced one vessel with a much newer one, and are evaluating its performance. I've instructed my transportation services director to conclude his assessment of TheBoat by the end of April, and recommend whether we should continue. If the numbers don't justify TheBoat's continuation, we'll end this pilot project and redirect the 5 million dollars we've budgeted for the upcoming fiscal year.

Waikiki Natatorium

The fate of the Waikiki Natatorium has dogged the City for decades. The back-and-forth by advocates of its preservation and proponents of expanded beach space has led to a standoff on the deteriorating monument. We are reviewing a draft of an exhaustive engineering study on the Natatorium. One of the recommendations we're seriously considering is the demolition of the pool to open up more beach space and the reconstruction of the façade further inland or at another appropriate location, like the Veterans Memorial Aquatic Center. I'll be convening a working group consisting of community representatives and stakeholders to help us reach a decision that's in the best interests of all the people.

Cabinet

Our financial situation this coming year will preclude us from offering pay raises for City employees represented by the HGEA and UPW unions. While there are no expectations of layoffs or furloughs, and we certainly would oppose any cutbacks in health care and pension benefits, there simply won't be enough money for raises, and I'm grateful to the employees and their union leadership for their understanding and cooperation.

In concert, I'm denying pay raises for the managerial employees who supervise those union workers. It's only fair that if the rank-and-file employees won't be getting raises, then our managers shouldn't either.

I have directed the managing director to speak to the Salary Commission at their meeting this afternoon, and convey the message that the administration will oppose any recommendation of a pay raise for the executive branch.

Finally, in a gesture that has touched me deeply, the appointed members of my cabinet have offered to join me in working without pay one day a month, in recognition of our fiscal situation. While they devote very long days and weekends in the fulfillment of their responsibilities, this is another indication of their commitment to public service. Never mind forgoing future raises, they're taking a pay cut equating to 5 percent. I'm so proud to serve alongside such outstanding men and women, who epitomize the finest attributes of public servants and leaders. These savings will be put into our rainy day fund, which we've set aside for times when we need ready access to cash.

You know, I'm just a local boy from Kalihi, the product of stone soup. As kids, we enjoyed the togetherness of family; we gave of ourselves for our friends and they did the same for us; we learned the values that made us what we are. When I went to high school and college, my participation in student government and athletics gave me a lasting appreciation of the value of teamwork and how any contribution to a positive result or victory shared by many was far more fulfilling than an achievement enjoyed by only one. My years in public service and as your mayor have confirmed my belief that the ideals of citizenship and the spirit of community require active involvement and a spirit of pride in our home.

While we've taken different paths to be here together this Hawaiian morning, I think your life's journey has been much like mine. Yes, our journey ahead looks difficult and demanding. The path is dark, and we don't know what challenges await us. But I have always been one who has not retreated from fear, who has not cowered before the unpopular, who has instead drawn strength and inspiration by doing what's right, what's pono.

As I look into your faces, and I look deeper into your hearts, I see the promise of our people, I see hope and courage, and I see the commitment we will need as we join hands, united in spirit and purpose, to make our Honolulu, our home, a better place. And when we reach our destination together, nourished along the way by stone soup, we will know in our hearts, minds, and souls that we were only able to accomplish this together, as one Hawaii, as one people.

As I said in my inaugural address, I stand ready to listen, ready to collaborate, ready to lead. Imua. Let's go forward; we have work to do.

Mahalo. Aloha ke akua.