

State of the City

January 17, 2011

Good Evening,

Over the years I have had the pleasure of presenting many "State of the City" messages, detailing the successful strides taken in improving the city's infrastructure to meet our present and future needs, previewing the plans for what we envision will result in new jobs, new business and desired growth. Unfortunately, there have been those messages that had to deal with the problems we were facing at that time, similar to today's.

2010 was somewhat of a surprise. In spite of being mired in the economic disaster that grips the state, the nation, and most of the world, we in Salem could see an improvement over 2009. We still have many who are unemployed and struggling to make ends meet, but the picture has brightened somewhat locally as employment improved, construction began to rebound, sales taxes stabilized and two major city projects were completed.

With the pressure of all the adverse conditions being faced by our businesses and citizens, the best news we as a community could have received was that Radiac was moving a closed plant from Ohio and expanding the local facility by 45,000 square feet of manufacturing space, recalling workers and would be adding 20-40 new employees. North American Lighting has also recalled all laid off employees and began adding to their workforce. Americana Building Products also added employees, as were some retail stores.

Another plus on the employment scene, in March, the Salem Township Hospital opened the doors to the beautiful new addition. The new areas include business offices, medical records department, a new gift shop, a bistro, expanded physical therapy department and laboratory. Also having been added is a full time registered nurse to assist diabetic patients and a new electronic records program. The new program allowed the Salem Hospital to be one of the first capable of electronically transmitting patient records to other hospitals, saving possibly crucial time and the cost of duplicating tests. Not only are our citizens benefiting from the additional services being provided, but also from the growth. As the Salem Hospital grows and adds more services, so grows employment. Employment is now 230; the Salem Hospital is one of our larger employers.

In addition to the improved employment, another positive indicator was the issuing of city building permits - up 90% over 2009, jumping from \$3,825,000 to \$7,270,000. Church, Hospital and commercial additions accounted for over \$3.6 million with the Grace Methodist Church addition at \$1.9 million and the Salem Township Hospital at \$1.15 million topping the list. Other expansions were Radiac Abrasives, Southern Illinois Healthcare, Casey's General Store and Everclean Car Wash. Two new commercial projects, CVS Pharmacy and Gold Link and Diamond Centre amounted to \$1.15 million.

The combination of workers being recalled and a greatly improved construction year allowed unemployment rates to improve significantly. Early in 2010 the Marion County unemployment rate was reported as being 15%. As the year was coming to an end it was announced the rate was 11.4%. I believe Salem's rate is a little better. The numbers are still high but we're thankful that many of our people are back to work.

It is safe to say that sales taxes are another indicator of how the local economy is doing. Being susceptible to virtually everything, weather, traffic and local enthusiasm, Salem had the benefit of a great year in attracting visitors to the community, events such as the opening of the new Aquatic Center, all the various festivals and shows, sporting events, the Professional Kennel Club's coondog competition and even the All-Star Series of Darts. Anything that brings visitors to the community brings revenue. This is probably a good time to acknowledge the importance of the efforts of our Tourism Board, our schools, Chamber of Commerce, the Little Egypt Festival, Super Car Cruise, Antique Power Days, Bluegrass committees, and all the volunteers who bring excitement, vitality and important dollars to the community. Thank you, volunteers do make a difference.

As to the actual sales taxes, revenues as expected are less than 2007 or 2008, but ahead of 2009 by about \$76,000. Sales taxes had dropped to a low of \$1,861,000 in 2009, a loss of about \$160,000 over 2008. For the city to have enjoyed a rebound of nearly 50% is probably exceptional considering the overall economy.

While reflecting on major projects and some of the finer moments of the year, the new Aquatics Center would have to be one of them. After seeing all the excitement, it's understandable why swimming pools are quality of life issues. It's hard to believe that it hasn't been that long ago since it was a guessing game each spring whether a swimming pool that had been constructed in 1933 would make it through another season. Finally, in 2010, 77 years later the gates to the new Salem Aquatics Center opened, and not only did everyone seem to be pleased, many seemed to be overwhelmed. During the summer we had reports that people were driving 60-80 miles just to look at the new \$3.4 million dollar Center, some considering the possibility of a similar facility for their community. According to a recent report, nearly 49,000 people enjoyed the amenities of the new Center and for the first time in probably twenty years the facility did not have to be subsidized \$40,000 by the General Fund, in fact it made a \$21,000 profit. Rates have been adjusted recently to address future maintenance costs and to add more equipment in the future to keep the Center new and exciting. To Scott Hester, our consultant, the Salem City Council, City Manager Christie, Director Daniels, the Swim Committee and above all, our citizens, thank you for making this great facility possible.

Another major project completed during the year was the new Kinney Boulevard on the city's west side. Located adjacent to Interstate 57 and easily accessible from both the Interstate and Route 50, the new \$2.4 million dollar street splits approximately 30 acres of prime commercial land which we anticipate will attract many retail and commercial companies. Due to the struggling economy it may take time for significant construction to occur, but when the economy does improve, Salem is now prepared to offer prospects attractive, improved, commercial or industrial sites. What is the old saying "making hay while the sun shines"? The way I look at it, the City of Salem took advantage of "bad times" to prepare for "good times". We have prime location, we have the prime sites, we have the infrastructure, and as the economy improves we will need to find more ways to promote those facts!

This new improvement that should attract new businesses and create many new jobs would probably never been possible without funding from the Tax Increment Financing Program. To the school districts, the County, Township, Airport Authority and Fire Department, your partnering with the City helped make this and other projects possible. Your cooperation and support opened the door to future growth and new jobs.

As to Kinney Boulevard, it was dedicated to the memory of Roger Kinney, an employee of the City of Salem for 37 years, sixteen years as the city manager. During Mr. Kinney's tenure as city manager numerous projects were accomplished: the NAL water tower, Hotze Road North and South, Selmaville Road North, dam and spillway replacement project, water treatment plant renovation, natural gas transmission line replacement, Industrial Park improvements and the \$1.9 million northwest side TIF

street and utility project, to name just a few. Roger was also instrumental in acquiring millions of dollars in grants and creating hundreds of new jobs through city and state loans.

Regarding other infrastructure projects; as to be expected, the street program had to be cut back but resurfacing and sidewalk improvements still amounted to nearly \$300,000. The city's natural gas system is in good repair and only one project at a cost of \$70,000 was necessary.

Right about now I wish I could start to close my message as I usually do, acknowledging some of the people and activities that are special, possibly unique, to our community. Unfortunately, you and I know we are still deep in this recession and like most cities, we too have our problems.

I had mentioned that we had a very good year in that sales tax revenues had rebounded and was about what had been anticipated and budgeted for. Unfortunately, even with the better than expected year, overall sales tax receipts received during the past two years are down about \$244,000. If we could plan on having a year as good as the last, we would still be down over \$80,000 compared to 2008. Naturally, General Fund reserves had to be used to cover any shortages.

During these past two years the city has done well in maintaining services without any reduction in workforce through the use of these reserves. However, reserves are limited, and as work is initiated on the coming years budget, it's obvious that some very difficult decisions will be required. Just like homes and businesses, the problems are not just limited to reduced revenues, but also to the increasing cost of operations and expenses. The police department, public works department, streets, city hall, street lighting, each department, each operation has had to adjust to increased costs that total well over \$130,000 per year.

With the layoffs and the job losses of 2009, State Income Tax revenues have also dropped over \$120,000 and from all reports, are expected to continue to show declining revenues. However, were it not for the actions of the Illinois Legislature there were signs to indicate an improving economy. Now, it is just a matter of waiting, waiting to find out how much damage their actions have inflicted. While other states are trying to reduce taxes to attract more jobs and improve the economy, Illinois legislators raised both corporate and individual income taxes significantly, 67%. The results will be less disposable income for our workers, less sales for our businesses, less sales taxes for municipalities, higher costs for business, more lost jobs, and once again, our legislators have added another reason for business not to come to Illinois. There is much that could be said, but the fact is, we don't have a choice, everything we do, we're going to have to do better.

As to our immediate position, just from what I have mentioned, the budget for the coming year will have a shortfall of well over \$300,000. Reserves that have sustained us for the previous two years will not cover the coming year. This existing shortfall in the budget and the anticipated reduction of revenue from both sales taxes and income taxes will all have to be strongly considered in budget discussions. Unfortunately, options available to address the problems are limited to reducing costs. We don't have any special services we can cut, and I certainly would not support any new taxes, especially a utility tax. I don't believe the City Council will either. There are going to have to be some very difficult decisions made, and they will be, I am confident the City Council, City Manager, staff, employees and I, will do our best to work it out.

Now, to those special people and activities I mentioned. Last spring the Greater Salem Area Foundation recognized several members of the area that in one way or another help make our community a better place to live. Rita Black was recognized as Humanitarian of the Year, Sherm Doolen - Lifetime Achievement Award, Bill Hawley - Civic Achievement Award, Roger Mann - Public Servant Award, Terri Larimer - Educator of the Year, John Andrews - Entrepreneur of the Year, Larry Rogers -

Businessman of the Year, and ABATE – Organization of the Year. Congratulations and thanks to each of you for your contribution of time and service to others.

There are still others in our community that deserve recognition and our appreciation. There are many potential reasons, years in a service-oriented position, financial support of civic projects, providing jobs, successful programs or youth involvement, are just a few examples. Now is the time to nominate your candidate, the awards will be in March.

Another worthy recipient of special recognition was Terry Mulvany. Terry was the Grand Marshal of the 2010 Little Egypt Festival Parade in recognition of his thirty years as Coordinator of the City of Salem Department of Emergency Management. He has been there, through water breaks, fires, snowstorms, flooding, ice, earthquakes, windstorms and train derailments, also the parking assignments, Halloween patrol, storm spotting and mutual assistance provided to other communities in distress. Terry and his group can always be counted on to be involved, providing that important support to police, fire and public works departments. Thanks Terry, you certainly deserved the honor.

There are so many that make the difference, Sharon Blair and the Daffy Dills, Jeannell Charman and the Sweney Corner Committee, Jane Marshall and Keep Salem Beautiful, Jackie Davis and the Community Garden, the Ministerial Alliance, Food Pantry, Salem Relay for Life, Toys for Tots, the Lions, Kiwanis, Rotary and Shriners. I may have overlooked other worthy individuals, organizations or programs, I apologize, every effort is important and appreciated.

Within our own ranks, the City Council, City Manager and I would like to express our appreciation to our Boards and Commissions, our department leaders, staff and employees. Most of all, we thank you, the citizens of Salem, for your support.

God Bless you, our city and those serving in the military.

Leonard E. Ferguson,
Mayor