

INTRODUCTION

Good morning. Thank you for being here with my fellow City Council members and me this morning for the 2017 State of the City. Welcome to each of you here in the theatre as well as those that are watching us live over the internet. We are in a historic venue for what I feel is a historic gathering. I trust that you are here this morning because you have an interest and concern for our city. You see glimmers of things that you like, but are confronted with issues that are bothersome and persistent. Growth is occurring, but not fast enough. Crime is going down in many categories, but not in all categories and not fast enough. The number of homeless individuals has decreased, but not fast enough. I am a Mercedian through and through. I grew up here and I know the challenges that we face. Despite our challenges, I am optimistic about the future of Merced. Merced is a city on the rise and it is the honor of a lifetime to be able to be your mayor at this important time.

I'd like to use the time that I have until 10 am to (#1) discuss who we are as a city, (#2) share my vision for where we can go together, and (#3) most importantly, layout a plan for how we will get there. Before I do so, I will share with you who Mayor Mike Murphy is.

WHO IS MAYOR MURPHY?

I am a product of local public schools. I was part of Golden Valley's 2nd graduating class. I'd like to welcome all of the students that are here in the audience today. We have students here from Merced, Golden Valley, and El Capitan High Schools as well as Weaver.

I am the son of a hardworking mother and father. My father was a machinist and a welder who came home from work greasy and exhausted every night. Growing up, there were 5 kids in my family. My family experienced hardship when Dad was out of work or hours were reduced. We lived in various rental homes around the city until my parents realized their American dream, buying their first home when I was in high school through the city's down payment assistance program for first time home buyers. My Mom still lives in that home and is here in the audience today. Dad passed away when he was only 51 years old.

I worked hard in school and was the first in my family to graduate from college. I married my college sweetheart, Heather Coles, from Canton, Ohio. After college, I went on to earn a law degree from Georgetown University in Washington, DC and for the past 10 years, I have practiced business law. I have also served on the city council as a councilmember from 2011 to 2016. I've been your mayor for just over a month.

Heather and I have 4 children and they are all here today. Walker is 14, Abigale and Maxwell are twins that turn 12 in two weeks and Nash is 4. We like to ride the miles of scenic bike trails in our city, grow vegetables in our backyard garden (using drip irrigation!), and participate in community events downtown and throughout the city. You will see me at my kids' soccer games, basketball games and volleyball matches as well as their plays and piano recitals. My oldest son has muscular dystrophy and you might see us filling the boot with the firefighters for the Muscular Dystrophy Association.

THANK YOU'S

As I transition into the heart of what I would like to share this morning, I would first like to thank the 462 employees of the City of Merced. We have a fine group of employees that are working hard on our behalf every day. They work to keep our city safe, clean and vibrant for all of us to enjoy. They are police officers, firefighters, engineers, street sweepers secretaries, and many other positions. Some of our employees are in attendance this morning and I want you to know that your mayor and City Council are grateful for all that you do on our behalf. Chief among our city employees is our city manager Steve Carrigan who we hired 1 year ago this week. Please give the city employees a round of applause.

I would also like to thank my 6 colleagues on the Merced City Council: Mayor Pro Tem Kevin Blake and councilmembers Josh Pedrozo and Michael Belluomini. We moved to Council District elections this year and representing District 5 is Council member Matt Serratto, representing District 3 is Jill McLeod, and from District 1 is Anthony Martinez. Please thank them for their service.

I'd also like to thank the Greater Merced Chamber of Commerce, not just for co-sponsoring this event, but also for the work that they do every day in our business community.

Our other sponsor that made this gathering possible is Hostetler Ranches. Thank you to Adam Cox and Robert Dylina from the Chamber and Greg Hostetler.

WHO ARE WE AS A CITY?

Who are we as a city? Our current population estimate from the State of California is 83,962 residents. Out of 482 California cities, we are #98 in terms of population. In Merced, there are:

- 88,000 city owned trees;
- 36 public parks;
- 2,982 fire hydrants;
- 6,700 streetlights;
- 27,573 residential housing units;
- and
- 71 miles of bike paths.

In addition, there are many miles of sewer lines, water mains and storm drains that need to be maintained. It's a big job and our public works crews and others get the job done every day.

As you know, our city was deeply impacted by the housing crisis. It has been a tough road back, but I am here to say that we are pointed in the right direction and are positioned for growth. Merced is a city on the rise.

WHERE ARE WE GOING?

I truly believe that Merced's best days are ahead, and that is a vision shared by my colleagues on the City Council. If we pull together, Merced can and will be the regional leader for jobs, for safe neighborhoods, for desirable housing, and for educational opportunities, as well as recreation, entertainment, and the arts.

HOW DO WE GET THERE?

So, how do we get there? Our city has a lot going for it.

UC MERCED

We are the envy of our neighboring cities because UC Merced with Chancellor Dorothy Leland (POINT TO HER) is in our community and on our team. UC Merced is carrying out its mission of teaching, research, and public service. It

employs 1,600 people and serves 6,700 students. In June of 2016, the university broke ground on a new building across from city hall. Their new 3 story Downtown Center will have 370 employees.

This influx of university employees will be in our downtown core every day eating meals, getting haircuts, purchasing professional services and supplies, and enjoying the arts and entertainment that we have to offer. We are pleased to welcome the campus community to their new location downtown that is scheduled to open this fall. Chancellor Leland, thank you for your vision and leadership. The UC's Downtown Center is only one aspect of their growth plan. In October, they broke ground on a project that will double the size of the campus and allow it to grow to 10,000 students by the year 2020. If you drive by the campus today you will see massive amounts of dirt being moved in order to ready the foundations for all of the classrooms, offices, dorms and recreation space.

The UC will invest \$1.3 billion and create more than 10,000 construction jobs in the San Joaquin Valley during the next four-years. The economic benefit to the region will be \$1.9 billion.

HIGH SPEED RAIL

The other big infrastructure project on the horizon for Merced is the arrival of high speed rail. I understand completely that high speed rail is a politically charged topic in our state and certainly in our city. I think that only the regulation of water in our state is more controversial than high speed rail. The creation of a station in downtown Merced was explicitly included in Proposition 1A that the voters passed in 2008. There are questions at the state and federal level regarding the financial future of this project. Our top priority with respect to high speed rail is to ensure that the new station built in Merced works for Merced, not just for Sacramento. We need to secure the benefits that come from increased transportation options, while safeguarding the charm and character of our downtown retail corridors and residential neighborhoods. We recently increased the study area for the high speed rail station as we determine where the Merced station will be built.

High speed rail presents a lot of opportunities for our city. It will increase commerce and employment. It will also ease the burden of traveling to a major airport by car to catch a flight. At build out of the initial operating segment,

Merced will be the northernmost station for travelers heading north to Sacramento. At full build out, the Merced station will be the center of California high speed rail system.

EL CAPITAN HOTEL AND MAINZER THEATRE

A major project in the works for our downtown is the complete renovation of the El Capitan Hotel. This renovation will transform this 90-year-old building while maintaining its historic charm. The developer of this project plans to convert it from apartments to a boutique hotel as they have done in dozens of other communities including San Francisco and Santa Cruz

Just down the street, the Mainzer Theatre will also undergo a transformation. Their plans call for a movie theatre, a live stage, a sit-down restaurant and other entertainment such as a 4-lane bowling alley. The hotel and the theatre will be anchors along with UC Merced's downtown building as part of the renaissance of our downtown core.

MISSION AVENUE INTERCHANGE

Another area of focus for your mayor and councilmembers is the area at Highway 99 and Mission Avenue. Merced doesn't have a regional retail shopping center along Highway 99 to entice travelers to stop in Merced and do business. We are working to develop plans for the Gateway Retail Center.

I get a lot of questions about the status of Wal-Mart. Wal-Mart still owns its site and obtained all of the approvals that it needed from the city, but got bogged down in litigation from a third-party with respect to environmental clearances. Unfortunately, I don't have a big announcement for you today with respect to the Wal-Mart project, but we are continuing to work with Wal-Mart's corporate team to bring these 1,200 jobs to our community. Stay tuned!

MERCED MALL

Our downtown core and the Mission Avenue interchange are not the only areas that will see change in the next couple of years. The owners of the Merced Mall are giving a facelift to our mall on Olive Avenue. The mall plans to add a new second story over the Kohl's side of the mall. The two green multistory office

buildings near El Pollo Loco along Olive Avenue will be demolished and make way for a new building that will be constructed to house CVS.

The mall itself will be renovated to provide a better shopping experience. Our economic development team at the city is teaming with the owners of the mall to recruit new retailers and entertainment providers. This project is just getting off the ground so look for more updates in the future.

BELLEVUE CORRIDOR

The City is working with property owners and developers on annexation requests along the Bellevue Corridor that stretches from G Street to the UC Merced campus. In addition to multi-family interests, Bellevue Road is also being called Merced's Technology Corridor supported by planned research and development and Business Parks. Innovation is the City's future and the Bellevue Corridor plan positions us well for that.

HOUSING

It is important that we avoid the wide swings of the past in the housing market. Approximately 250 new homes per year is a healthy and sustainable pace. We currently expect to hit our target number of new houses this fiscal year that ends on June 30th. We are working with five national building to reach that goal. This is good for Merced's local economy and good for Merced families.

SOUTH MERCED GROCERY STORE

Your city leaders are focused on lifting up all corners of our city. In South Merced, a 6-acre parcel on the corner of Childs and Canal is slated to be the site for a neighborhood grocery store. The store will be pedestrian friendly and we are continuing to work with interested developers. All of our residents deserve to have convenient access to fresh fruits and vegetable. We hope to make progress on adding a grocery store along Childs Avenue in the near future. It is a priority for me as your mayor.

OLD CENTURY BOWL

The Highway 99/Childs Avenue interchange has attracted a lot of development attention. The former Century Bowl building was vacant for years. I bowled there as a kid. The City partnered with local residents to have the blighted

building demolished. The site has been cleared and we are making way for a Steak N Shake restaurant and a KFC. Just a bit south of these stores, ground has already broken on a new Marriott TownPlace Suites hotel.

OLD SAVEMART BUILDING NEAR MAIN AND R STREET

A project flying under the radar is the Westgate Shopping Center at R and Main that's undergoing renovation. A family entertainment and health themed center will be home to Rockin' Jump trampoline park as well as Fitness Evolution. Negotiations are underway for a third retailer. Keep your eyes on this project. As a father of four young kids, I understand that we need more family centered entertainment in Merced and I will work hard to attract additional family centered amenities to our community.

WHY IS GROWTH OCCURRING?

There are a number of reasons that growth is occurring. I've mentioned the positive impact of UC Merced, but there is more to it.

- Personal income has risen 13.7 percent, the highest in the nation according to Governing magazine.
- Unemployment has dropped to 11 percent from the days when it was 22 percent
- Housing starts are up
- Crime is down
- Annual wages are up \$4,500 since 2011.

SHOP LOCAL

I have one final comment on the topic of economic development. Shop local. We know that shopping local helps employ our friends and neighbors. A dollar spent downtown multiplies seven times because it keeps getting re-spent. If you want more businesses to come here, you have to show them there is a market here. If you want new restaurants, eat here. If you want new stores to come here, shop here. Forever 21 and all those stores look at the local spending patterns before they decide if they are going to come to a city.

And buying local keeps the sales tax revenue in town, which helps provide better services, too.

PUBLIC SAFETY

Public safety is a topic that is always on people's minds, so let's talk about it.

- Two weeks ago we swore in four new officers, so that we now have 89 police officers on the force.
- We use predictive policing software to fight crime. It looks at what calls we had on a shift so that we can assign officers and extra patrols to target problem areas on the next shifts.
- Way before the rest of the nation was strapping on body cameras, Merced police officers were wearing them. We just bought new body cams and in-car videos because the old ones were wearing out.
- Community Oriented Policing has been Merced PD's philosophy for years. We have a Citizen's Police Academy, an extensive Neighborhood Watch program and ComVIP, a group of agencies and organizations working to provide Community Violence Intervention and Prevention.
- We have grown our Community Service Officers from two to five to focus on animal control and code enforcement.
- We have a DART unit, Disruptive Area Response Team, to address quality of life issues in Downtown Merced, and elsewhere in the City as problems arise.
- The Gang Violence Suppression Unit gathers street intelligence and moves quickly to deter gangs. In 2015 the city had 15 homicides. Due to the hard work of many, including this team, we only had one murder in 2016. I am going to repeat that, we only had 1 homicide last year.
- We are in negotiations to buy the Sun-Star building for our new police headquarters. The new building will meet the needs of the department for the next 30 to 50 years and be in the geographic heart of the City.
- I would like to see the addition of 3 to 5 more officers added to our budget each year. This would help increase response times, be more proactive in the community and help prevent crime.

- On the fire side, we have a new fire chief, Michael Wilkinson.
- Our Fire Department responded to 15 statewide emergencies last year.
- Overall, the number of calls the department has responded to is up 9 percent.
- The Department did an excellent job responding to the recent fire on Main Street that used all of our available resources, plus assistance from three other agencies.
- We owe a big thanks to our Fire Department, our Police Department and especially our Public Works Department for the great job they have done during the recent storms in saving lives and property. Our Public Works crews prevented major flooding from happening by their hard work and efforts.

YOUTH

I would like to turn to the topic of our youth. Recently, we completed the renovation of McNamara Park. It now has artificial turf soccer fields that are used by over 1,000 children and adults each week. The renovation also included new playground equipment and a splash pad. Children can swim at McNamara pool during the summer for only \$1. We recently reopened our closed youth center thanks to our partnership with several local non-profits that serve our youth. Thank you MOJO and Youth I Can.

Similarly, Stephen Leonard Park was renovated last year. A splash park was added as well as a skate park, new playground equipment, BBQs, and a shade structure. Our city staff deserve recognition for their initiative and expertise in securing state grants for both of these projects.

Through our partnership with the Atlas Soccer Academy, we were able to reopen our recreation center at Stephen Leonard Park where 1,200 young Mercedians and their parents receive academic support and other training. Thank you Atlas Soccer Academy.

The City of Merced is also partnering with other non-profits. For example, we have a long standing partnership with the Boys and Girls Club on 15th Street. The Club is very resourceful in leveraging its funding, but hasn't had enough

money to open its doors on the weekends when so many of our young people could really benefit from the services that they provide. Last Saturday the Boys and Girls Club opened its doors to youth on the weekend after the City Council approved a pilot program for the Club.

There are other opportunities for us to partner with non-profits and other community groups that serve youth.

CHALLENGES

Despite the opportunities that abound in Merced, there are many challenges that loom. Although I am optimistic about our future, I am very much in tune with the realities of running a city and the perils that lie ahead. I would like to share some of them with you and how we will navigate them together.

1. First, economic development:

For decades, the most effective tool that California cities, including Merced, had to encourage development and eliminate blight was its Redevelopment Agency. In Merced, we used RDA to help renovate this historic theatre, where we are gathered, returning it to its majestic beauty. We also used it to attract Costco to our community and build affordable housing for our residents. In 2012, the State of California eliminated RDAs as a way to return more revenues to the state.

As a result, we are adapting. Last year, we set aside nearly \$1.9 million dollars as an economic development opportunity fund to help encourage investments in our city in a similar way that RDA operated. Our philosophy is that we if we can help to improve a blighted or underutilized property and return it to the property tax rolls that all Mercedians will benefit in the long run. We are actively looking for places to make these investments.

Additionally, although we have positioned ourselves well to encourage economic development in Merced, the choice of whether a private company expands to Merced resides with the leadership of that company and not city hall. I think if my wife could have the mayor grant her one wish it would be a new Trader Joe's in Merced. We are in communication with Trader Joe's and have been told that we need to increase our population a bit in order for it to make financial sense for them to expand here. There are many other stores, restaurants, and entertainment venues that are on my list and on yours. We will

continue to position ourselves for success, but ultimately private business owners and investors will make these expansion decisions.

2. The second challenge I'd like to highlight is our increased CalPers contributions.

The city and its employees spends a lot of money in order to provide retirement benefits to our employees. Like most California cities, our retirement is administered by CalPers in Sacramento.

Last month, CalPers revised downward its projections of how well their investments are paying off. As of now we don't know how much it will cost and what will be the impact on the City.

3. Third, water

If we had the time, I could spend our entire hour together just on this topic. Our elected officials that represent Merced in Sacramento and Washington, DC are working hard on these issues as well as the Merced Irrigation District, the County of Merced, the City of Merced and many others.

Simply put, we need more reservoirs in our state. This will need to be worked out on the state and federal level. Locally, we are doing our part. We have reduced our water consumption by 36 as compared to our consumption in 2013. We've installed water meters on all of our water customer accounts and the final conversion will occur in the next few months.

We are exploring the construction of an underground recharge basin and increasing the use of drip irrigation and reclaimed water on city landscaping.

4. Fourth, homelessness and panhandling.

We continue to have a large number of our residents that are homeless. Our most recent count from January 2016 shows that the number is 355. The 2017 annual count was conducted yesterday and the results will be shared at our 2nd Homelessness Summit on Friday, February 17th, here in this theatre where our city manager will share an update on our efforts around reducing homelessness.

I led the effort to sign Merced up for the federal government's challenge to end veteran homelessness. There is a team of people in the city and within the

county that are working hard to make eliminating veteran's homelessness a reality. In 2015 there were 88 homeless vets in Merced. Today, that number has been reduced to 25. Eliminating veteran homelessness is doable in 2017 and I want us to make it happen.

Panhandling is also a challenge that we face. I mention it separately from homelessness because there is broad consensus among specialists that those that panhandle are not necessarily homeless.

In May of 2016, we initiated an effort in our downtown core to make it more inviting to residents. A group of outreach workers made sure that each person living on the streets of Merced or panhandling was made aware of the services that are available to assist them. There are many services and service providers, but we can and must do better.

After several weeks this was followed up by an increased police presence. Our officers walked the downtown beat for many weeks to provide an increased sense of safety and security. We knew that this would only be a temporary change due to funding constraints, but I hope to be able to add back these types of police services as we build back our police force.

Don't forget to attend the Homelessness Summit here at the Merced Theatre on Friday, February 17th for a comprehensive update on what we are doing to address homelessness in our city.

5. Marijuana is another challenge facing the City. The City Council recently voted to allow the sale of medicinal marijuana in the city. In November, Proposition 64 legalized recreational marijuana for all adults. The Council and the citizens have to decide whether we will legalize the sale of recreational marijuana.
6. The last challenge I will mention this morning is our crumbling infrastructure.

Many of our roads have not been properly maintained because we simply don't have the money to do so. With increased fuel efficiency and electric vehicles, the state gasoline tax has not been able to keep up with the wear and tear that we put on our roads and bridges.

70% of Merced voters recognized this challenge in the November 2016 election and agreed to a ½ cent sales tax on purchases in order to pay for improvements to our transportation infrastructure. This means fixing potholes and repairing sidewalks, but also reconstructing heavily damaged roads and eventually the further buildout of Campus Parkway that will connect Highway 99 directly with UC Merced and then UC Merced to Castle and then Castle to Highway 99 in Atwater.

TRANSPARENCY

Before closing, I would like to talk about my commitment to transparency. This first State of the City is making good on a promise that I will always include the public in the making of public policy. You can't be involved effectively if you don't know what is happening. I want to keep you informed. Here are some of that ways that will occur:

- Our current budget as well as the budgets from the last 5 years are available on the city's website in a very easy to follow online tool through our partnership with OpenGov. If you want to know how much we spent on fuel or insurance or salaries or any other topic it is there at your fingertips.
- You are also welcome to join us at our city council meetings at city hall on the 1st and 3rd Mondays of each month. Any member of the public that would like to address us is given time to speak in front of the entire city council. Spanish and Hmong translation services are available at all of our city council meetings and town halls. Translation is even being provided here today.
- We will be holding three town hall meetings in the coming weeks. The dates are February 8th at Rivera Middle School, February 16th at the Multicultural Arts Center on Main St. and February 23rd at Tenaya Middle School. All of the town halls start at 6 pm. I've done most of the talking today, but at the town halls you do most of the talking and we do most of the listening.
- And if you want to contact me, email me at mayor@cityofmerced.org.

CLOSING

In closing, let me share with you two things that you can do to help our city.

First, if you are passionate about a civic issue get involved. Don't wait to be invited. Consider this your official invitation from the mayor to move your idea forward or jump on the team with others that are already helping to move an idea forward. If, for example, you are passionate about helping our youth, our homeless, or victims of domestic violence then volunteer your time with a worthy nonprofit. If you want to be involved in city planning decisions apply to be on our planning commission. We also have a dozen or so other resident commissions and many of them chronically have vacancies. If you can't donate your time, but have the ability to donate financially to worthwhile groups, please do so locally. Make a ripple and leave your mark. Public service is hard, but if your heart is in it like mine is then it is rewarding.

Second, let's elevate the way that we speak about our city. I am a realist and know the challenges that we face, but let's not sell ourselves short. Merced is a city on the rise. Good things are happening here. None of us should be naïve or myopic about our challenges, but we shouldn't be overly critical of ourselves either. The way that we speak about ourselves often turns out to be self-fulfilling. How do you want Merced to change? How do you want to leave Merced for the next generation? I want to leave it a stronger, safer and more prosperous community. Be the change that you want to see around you. I hope you will join me and my fellow City Council members in this journey.

Thank you!