

**City of Newark**  
**State of the City Address**

DoubleTree by Hilton  
39500 Balentine Drive  
April 21, 2016

Thank you Valerie and good afternoon everyone! Thank you all for joining us at this year's State of the City Address. I appreciate you taking the time to share in this afternoon's program.

I'd like to start off by thanking Choir Director Joanne Hong and the Newark Memorial High School Advanced Choir for their performance. They always do such a great job and are such a nice addition to our program.

It's always a pleasure getting the students involved. I know they enjoy taking part in our program as much as I enjoy showing off their talents.

I also want to give many thanks to the Newark Chamber of Commerce for hosting today's luncheon. We are pleased to be working with President/CEO Valerie Boyle.

We know there is a lot of work involved in planning this event and I want to thank Valerie and especially the Chamber volunteers for the work they have done today and throughout the years in supporting the Chamber. Thank you!

I would also like to give a special thank you to my wife Connie for joining me today. She has been a true supporter and an extremely patient person as I spend an abundance of time doing my Mayoral duties. I could not do this job without her support.

I want to acknowledge my colleagues on the Newark City Council who join me in welcoming you.

Serving on the City Council is more than attending two meetings each month. As I introduce each of my colleagues on the City Council, I'll also let you know what other important committees they serve on.

First – Vice Mayor Luis Freitas – he serves on the:

- Alameda County Waste Management Authority
- Congestion Management Agency
- Alameda County Transportation Improvement Authority
- Community Development Advisory Council
- Rep on the AC Transit Policy Advisory Comm

Council Member Sucy Collazo:

- Alameda County Library Advisory Commission
- Computer Applications and Occupation Technology Committee at Ohlone College
- Newark City Council-Board of Education Liaison Committee

Council Member Michael Hannon:

- Alameda-Contra Costa County Transit Policy Advisory Committee
- Alameda County Waste Management Authority /Stopwaste.org
- Newark City Council-Newark Board of Education Liaison Committee
- Community Choice Aggregation Steering Committee
- Tri-City Waste Facility Financing Authority
- Alameda County Housing Authority

And Council Member Mike Bucci:

- Association of Bay Area Governments (ABAG)
- Dumbarton Rail Policy Advisory Committee
- Southern Alameda County Geographic Information System Authority

Also joining us are members on the Newark Planning Commission. We have:

- Chair Jeff Aguilar
- Vice Chair Bernie Nillo and
- Commissioners:
  - Bill Fitts
  - Karen Bridges
  - Debbie Otterstetter

And taking a bow for our entire City staff, City Manager John Becker.

Before I get into my presentation, I want to let you all know how painful it has been to my ego these past few weeks.

I stopped for coffee. Sandy Perley greeted me with the comment “Gee, there is a lot going on in Newark these days.....I thought when you became Mayor nothing would really change”.

I bought a pair of shoes in Newark and wouldn't you know it – the laces kept coming undone. I even tried double knots to no avail. I stopped at the local shoe repair shop next to S&J Restaurant and had them put in new laces.

The customer service was so great that the following Monday I brought my camera case in to see if they could put in a new snap. When I walked in the owner says hello Nagy..er I mean Mayor Nagy. He said he should have known on Friday who I was so I asked him how he would know. He replied by my walk.

When I got home I related the story to my wife and then asked her if there was something about my walk that was so distinctive. She said “you walk like a penguin”.

The third episode was at a Chamber mixer at the Elks Club in Fremont. My own chamber president/CEO introduces me as Al Nagy – Mayor of Union City.

So to top it all off, I'm attending Family Day in the Park at the end of March when one of the Mother's comes up and relates to me that her son is now at the age where he's starting to question whether there is really a Santa or Easter Bunny. So she asked him...."who do you think the Easter Bunny might be.....and he says THE MAYOR!

So that's a little insight to what it's like to be Mayor these days.

What a pleasure it is to gather today to speak to you about the state of our city. I have been on the Newark City Council for over 36 years and a Newark resident for over 48 years, so you could say I'm vested in the City.

I am proud to call Newark home. Even though we aren't a big city with a large budget, we are a city that takes pride in providing the best programs and services for our residents.

In today's presentation, I plan to focus on three major topics. These include the City's financial status, residential and commercial development activities and why it's important to our community, and finally my thoughts on what makes Newark the special place it is.

## **FINANCIAL**

Throughout the years, Newark has gone through its share of economic ups and downs. This economic roller coaster ride has had a direct impact on our operating budget which affects the services and programs we are able to provide to our community.

During the recent economic recession, we had to work diligently to balance our budget and creatively navigate through the challenging economic times.

I am proud of the job we did adjusting to the shifting economic realities while still providing quality services to our residents.

I am happy to report that we have a balanced budget and a projected surplus for the current fiscal year and the economic forecast for the City includes solid economic growth.

We are continuing to see increases in our major revenue sources including property tax, sales tax, and our transient occupancy tax or hotel tax. These three revenue sources make up approximately 60 percent of our operating budget revenue.

Thanks to the strong support of Newark voters, the City's Utility Users Tax was reauthorized at a lower rate for another 5 years.

This revenue source accounts for approximately 8 percent of our operating revenue and continues to support a number of important programs and services for our community.

These include:

- Senior Center services
- A School Resource Officer
- Vehicle abatement services
- Additional park and landscape maintenance staffing
- Increased street sweeping services
- The Ash Street Summer Program
- School Crossing Guard Program
- Additional Code Enforcement staffing
- And capital projects and operating reserves

One of the lessons that we learned during the recession was the importance of having sufficient reserves to cushion our budget for any future downturns in the economy.

Over the past couple of years, the City has been able to replenish and increase its Fiscal Uncertainty Reserves. The City Council also recently revised the City's reserve policy to ensure that we have sufficient reserves for future downturns.

Despite the economic recovery, we continue to take a conservative approach in our budget practices. We are very judicious in our hiring of permanent staff, our labor contracts are conservative, and we continue to monitor our expenditures very closely.

We also continue to monitor issues and events that have the potential to impact our budget situation in the future. Two important issues we are monitoring include; State actions that have the potential to "siphon" revenue from the City and rising employer pension costs. Both of these have the potential for significantly impacting our budget in future years.

The good news is that the State is projecting a surplus for the next budget cycle and the initial budget released by the Governor's office did not include any State take-a-ways or unfunded mandates.

We will continue to monitor the budget when the Governor's May revise is released.

The second issue has to do with increases in the City's pension contribution rates that will continue to put pressure on our budget. Required contributions to the Public Employees Retirement System (PERS) continue to increase and are expected to continue in the immediate future.

The PERS Board has made some significant changes in some of its actuarial assumptions which have resulted in large increases in the rates the City pays to PERS. Unfortunately, these changes are out of our control.

Right now, the City's PERS contributions make up almost 13 percent of our operating budget expenditures. Unfortunately, there are no quick fixes to the problem.

The state legislature took a step in the right direction when it passed the Public Employees' Pension Reform Act in 2013.

This legislation revised the pension formulas for new public employees downward and will ultimately reduce the long term costs to the City.

Despite these challenges, we are optimistic that we will be able to navigate through these issues and insure that our budget remains balanced and the City maintains its fiscal health.

## **DEVELOPMENT**

You may have noticed that there is a lot of building activity going on around the City. We are in the midst of an unprecedented surge in residential and commercial

development activity. I get asked all the time by residents “Why is there so much housing construction going on?”

I start out by assuring them that the development is well planned and in line with the Policies and Goals that are outlined in the City’s General Plan. I also explain to them that this development activity is essential to the long-term future and vitality of our City.

First and foremost, new residential construction provides badly needed housing for our community.

As I reported in last year’s presentation, there had only been four new homes built in Newark within the previous 15 year period.

According to the U.S. Census, over 75 percent of Newark’s homes were built before 1999 with the median age of homes at 39 years. New residential construction will help to gentrify and enhance our City.

New housing also helps to attract and retain jobs. As employment has increased in the area, the demand for housing has also been increasing. New housing in proximity to employment centers can reduce traffic and retain jobs for our residents.

New housing will also help our Schools by increasing enrollment which has been on the decline for the past decade.

At one point in time, there were over 10,000 students enrolled in Newark schools and with the current enrollment at about 6,100 that represents almost a 4,000 student drop in enrollment.

With State funding for our schools based primarily on the number of students enrolled, that drop makes a significant difference. More funding means a better education for our students.

And finally, new housing will generate additional property taxes that will provide the City with the resources needed to provide the services that our whole community will benefit from.

Because of our aging housing stock, with many homes still being assessed at pre-Prop 13 levels, and the lack of new residential construction, the amount of property taxes that Newark receives has been much lower than other comparable cities in the Bay Area.

Based on the most recent numbers we have, we know that Fremont receives approximately \$80 million in property tax revenue. Union City receives about \$21 million and Newark at \$10 million.

That means per capita, Fremont can afford to provide each resident with \$353 worth of service. Union City at \$285 and Newark \$235.

The new residential construction currently taking place will help to reverse that trend.

Let me spend a few minutes reviewing the residential projects that have been approved and are in various stages of construction.

- Trumark Homes – “Shade” and “Canopy” Project with 164 townhomes and single-family detached homes
- K.Hovnanian Homes – “Cedar Lane” with 85 townhomes
- DR Horton – “Prima” with 281 condos, townhomes, and single-family detached homes
- Sobrato – “Sanctuary” with 386 single-family detached homes
- Classic Communities – “Classics at Cedar Park” with 77 single-family detached homes
- “Casa Bella” with 14 townhomes
- DR Horton “Equinox” with 15 single-family detached homes

Over in the Dumbarton Transit Oriented Development area, located west of Willow Street between Enterprise Drive and Central Avenue, progress continues on a new, “walkable” neighborhood with a broad range of new housing.

It will include a variety of housing options, affordable housing, parks, connections to the future Bay Trail, open space, and retail space. The development is already well underway with the five projects in the pipeline. These include:

- William Lyon Homes – “Bayshores” with 547 single-family detached homes and townhomes
- Integral’s – “Gateway Station” neighborhood with 589 single-family detached homes and townhomes
- Trumark Homes plans to build 244 single-family detached homes
- Another project by Integral includes 88 townhomes and a retail center
- And USA Housing will build “Newark Station Seniors” a 75 unit affordable senior apartment complex.

Our business community is growing as well.

The Pacific Research Center continues to add tenants. Located next to Highway 84 and the corner of Gateway Blvd., it includes more than 1.4 million square feet on 105 acres of high-tech, bio-tech firms.

Businesses that recently joined the Pacific Research Center are:

- Kaneka Americas Holding which produces resins and synthetic fibers and is engaged in the medical equipment business.
- Carbylan Therapeutics, which is a clinical-stage specialty pharmaceutical company engaged in research and development activities.
- Oraya Therapeutics, Inc., a privately held company that is developing new therapies to treat macular degeneration.

With these latest additions, it brings the total number of businesses at the Pacific Research Center to 19.

Heading across town, on the Southern end of Newark, we see the long awaited renovation project under construction at the NewPark Mall.

Last year I reported that Rouse Properties, the mall's owner was undertaking a \$40 million dollar Mall renovation project.

Renovation work includes the addition of a new AMC IMAX theatre and 12 screens which I'm happy to report is completed and open for business. If you haven't visited it yet, you need to go just to try out their spacious, luxurious, reclining seating.

It's very comfortable. They also have reserve seating, gourmet popcorn, and guests 21 and over may enjoy an alcoholic beverage from MacGuffins Bar.

When completed, the mall will have a modernized food court, remodeled mall entrances and signage, a restaurant pavilion including a John's Incredible Pizza, and additional new restaurants to be added soon.

New retail stores will be added including a two-story H&M, which has already opened for business. It also includes other high-end retail stores like Swarovski. We look forward to seeing the mall when it's fully completed.

And speaking of the Mall, last September, the City completed a Master Plan for the property surrounding the mall. We call it the Greater NewPark Master Plan.

Our vision is to see the area become a vibrant regional, retail location which provides urban amenities and gathering places along with a mixture of higher density housing, office, hotel, entertainment, and other uses.

In conformance with the Master Plan, last week, the City Council approved two hotels, Staybridge Suites and Springhill Suites along with an 8,500 square-foot Bubba's 33 restaurant on the site of the old Cinedome Theatre. This will help bring additional vitality to the area.

Last year I announced that the Salvation Army building located off of Newark Boulevard was undergoing a \$3 million renovation.

The old building has been demolished and construction is now well underway on a new modern facility that will meet the needs of the community for years to come.

Mission Linen Supply, a family-owned company that provides textile service solutions to every industry segment is close to relocating its Union City operation to a new industrial laundry building off of Central Avenue. When completed, the operation will add approximately 250 jobs to Newark.

So you can see, development activity in the City is on an upward swing and generating excitement. After years of fiscal challenges and a weakened economy, it is rewarding to see such a high level of quality development activity happening in Newark.

## COMMUNITY

It takes more than new homes and businesses to make a city special. It takes what I call “a community of caring people” who are willing to contribute their time and talents to improve our City.

These people are the backbone of our community and help to make Newark the wonderful city it is today.

Newark is filled with an exceptional number of community groups and non-profit organizations like Second Chance, Viola Blythe Community Services, the League of Volunteers, Newark Rotary, the Newark Optimist Club, and the Portuguese Fraternal Society.

These are just a handful of groups that enhance the quality of life here in Newark by helping those who are in need.

Then there are groups like the Newark American and Newark National Little Leagues, the Newark Girls Softball League and the Newark Soccer Club.

The Soccer Club alone is 1,400 members strong. These organizations provide healthful activity to help kids stay fit and learn about team work and fair competition.

And then there are the many people who volunteer directly for the City. Some volunteer at the Senior Center, while others volunteer to do graffiti abatement, or assist with recreation programs and classes.

Some of our volunteers are even helping out in the Police Department through the RAVEN program, or as a Community Emergency Response Team member.

Or how about the people who volunteer directly in our community by cleaning up parks, helping out in the schools, or organizing events such as Newark Days, Relay for Life, or Oktoberfest.

Newark truly is a City of Volunteers.

There are businesses and families who also make monetary donations to help fund community based programs. Businesses like Cargill, Fremont Bank, Republic Services, Integral Properties, DR Horton, Classic Communities, Washington Township Hospital, Kaiser Permanente, Trumark, William Lyon Homes or the individuals who are making monetary donations to various causes throughout the City.

It's also the many people who give so graciously of their time, donations and efforts that make our city stand out above the rest.

It also helps to have dedicated City staff members who work hard each day to provide quality programs and service to our City.

Programs such as our State Licensed Child Care Program, preschool, and the recreational classes and programs offered at our Community Center and the George M. Silliman Community Activity Center.

Over at the Senior Center, seniors enjoy daily hot lunches as well as fun activities, programs and companionship.

And there are a number of free events throughout the year that our community can enjoy such as: Newark Days, Family Day at the Park, Music at the Grove, Mariachi Festival, Senior Health Fair, Oktoberfest, Friday's Free Festivities for teens, and the Ash Street Park Summer Program for kids.

We also offer free classes with the Community Emergency Response Team (CERT) and Citizens Police Academy classes. By signing-up for CERT, citizens have the opportunity to learn about emergency preparedness.

Participants in the Citizens Police Academy have the opportunity to learn about police work and how to improve communication by developing a better understanding of each other's role in the community.

Newark is also home to 15 parks and sports play facilities located throughout the City with some locations providing amenities such as softball playing fields, basketball courts, lighted tennis courts, and family/group picnic facilities.

For a city our size, Newark has a lot to offer. It's the level of service the City provides, along with the many programs and events available, and the pride we all take as City staff, volunteers, community members, business folk, parents, teachers, students, and residents... we all take pride in the community we work and live in.

And that's what makes Newark so special. We may be a small city, but we are a large constituent of caring people who desire the best for our community.

I want to thank all of you again for joining us today and thank you for working together to make Newark great.