

L. Brooks Patterson
Oakland County Executive
2007 State of the County Address

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Introduction

Good evening ladies and gentlemen and good evening to all of you in the overflow room, and to the many at home or in their cars who may be tuning in.

This is the biggest audience we've ever had for the State of the County Address. We purposely picked tonight to avoid a conflict with Jack Bauer, Denny Crain or Dr. McDreamy.

I have a fair amount of ground to cover tonight, so let me launch.

If you were to ask me: "Brooks, what is the state of Oakland County?" My immediate reply would be: "The state of Oakland County is one of deep optimism and enormous opportunity in a time of serious challenge and dramatic change."

Upon what set of facts do I base my bullish attitude about Oakland County's future?

First, Wall Street's confidence in us remains unshaken. We are still ranked as a AAA county, an honor bestowed upon less than 25 counties out of 3,034 spread across America.

Michigan businesses have confidence in us based on a recent Manpower survey. Despite job losses and retrenchment in all of the surrounding counties, our workforce is predicted to grow by an estimated 4% this calendar year.

The international community still greatly respects Oakland County. We are now averaging two foreign corporations a month coming here from overseas and expanding into communities within Oakland County – two a month.

Automation Alley, the high-tech consortium that I started in 1999, is booming. Last month in January they had their best month ever for recruiting new companies – 39 in one month - despite the doom and gloom bombarding us on a daily basis.

No, I'm not Polly Anna. I certainly understand what's going on in the state and to a certain extent I try to keep abreast of international developments as well. I'm painfully aware of the automotive retrenchment that's occurring, the accelerated closing of the Ford Wixom plant as an example; the scandalous level of home foreclosures in southeast Michigan – including Oakland County, the fourth

wealthiest county in America; the inability of the state to effectively deal with an ever-widening budget deficit; the challenges that we face on the international horizon when such respected companies as Goldman Sachs says that China will become the largest economy in the world by 2045.

Yes, we have our challenges. And, yes, innovative and bold leadership can resolve those challenges.

Let's look back over a couple of issues we faced recently and see how we here in Oakland County met and vanquished those challenges placed in our path.

It was a year ago tonight that I told this very audience that I'm sick and tired of driving my staff on a daily basis to create a work environment conducive to job creation only to have those employment opportunities thwarted by a negative job killing tax called the Single Business Tax.

To review: The Single Business tax was – and I emphasize “was” – a unique tax in America. No other state, especially those against whom we compete for jobs and business investment, had a comparable tax so onerous. We taxed the creation of jobs in Michigan. We taxed the payroll. We taxed healthcare benefits. We taxed 401(k)'s. We literally created a tax that was a disincentive to expand business and expand employment in Michigan.

In 2004, when the manufacturing sector can post a \$500 million profit and pay \$650 million in Single Business Taxes, then you know there was something perverse about that tax.

By now you know the rest of the story. It was a year ago tonight that I called upon you, my friends, for support to repeal the Single Business Tax and you responded. I called upon you to help me lead a petition drive and do so in record time, and you responded. We raised the money. We got the signatures. The question was certified for the ballot, and then the Legislature enacted it before it got to a vote of the people, which is their prerogative.

The repeal of the Single Business Tax is now a *fait accompli* and will occur eleven months from now on December 31, 2007.

And now, even as I speak tonight, there are at least four alternative replacement tax proposals – more fair to the job creator and more competitive for the State of Michigan – being debated in the halls of the Legislature.

Tonight, I want to make sure that I thank you for your support in repealing the Single Business Tax. Clearly, I could not have done it without you and people like Jennifer Shoha who led the fundraising effort that made this whole project possible.

Thank you, ladies and gentlemen.

Let's talk about another challenge – in the scheme of things, probably a bigger challenge than repealing the Single Business Tax – for what I have proposed here in Oakland County has never been done anywhere in the world on this scale.

Wireless Oakland

Two years ago this very night, I told you that I had aspirations to bring free wireless internet to all of Oakland County's 910 square miles. From Ferndale to Holly, from South Lyon to Oakland Township, just simply open up your laptop, hit a button and you're there.

When I proposed this to my staff, I'm sure I got the same look from them as John Kennedy must have gotten from his staff when he said he wanted to put a man on the moon by the end of the decade.

Many of you may remember from a couple of years ago how this idea originated. I was in the Emirate of Dubai as a guest of the Arab American Chamber of Commerce when I came upon a small business district, basically four square miles. It offered free internet. I immediately thought to myself four square miles – 910 square miles, the principle is the same. Duh!

I brought the idea home and met with Phil Bertolini, the CIO for Oakland County and one of my Deputy County Executives. I explained to him what I would like to do. He took a couple of weeks to study the proposal and said we could do it.

Ladies and gentlemen, as we speak tonight, the wireless trucks are out on the streets of our pilot communities starting with Troy and Birmingham, and installation of Wireless Oakland is now underway.

Let me be very, very clear tonight. Wireless Oakland – free access to the internet across this entire County – would never have occurred in this County but for the leadership, creativity and commitment of Phil Bertolini and his outstanding team at IT. People like Scott Oppmann and Tammi Shepherd. When you open up your laptop and you have direct free access to the internet in the weeks and months ahead – you've got these three people to thank.

The opportunities from Wireless Oakland are too numerous to mention tonight. We've already attracted worldwide attention with this endeavor. Our website is getting thousands of hits a month coming from 48 countries in Europe, Asia, North and South America, Australia – from Boston's famed Route 128 to the Silicon Valley. They want to know how we actually could do it in such a way where we invest no government funds and yet make free wireless internet available to 1.2 million residents.

Well, the simple answer is, for purposes of tonight's State of the County Address, you assemble a team of technology and financial experts, second to none in the United States.

The first company we brought on board for the project was MichTel Communications, located right in the City of Pontiac, which basically acts as the prime contractor. They were selected through a very vigorous Request for Proposal process.

And then came our partners, one by one. Names you would certainly recognize:

Cisco ... Johnson Controls ... LECOM. Next, you line up the all important final piece, the financial partner. An investor who will assume all the risk and, of course, is entitled to reap all the rewards.

And we found such a person, Robert Jenkins from XTnergy in New York, who signed on the bottom line and knows that his exposure is somewhere between \$80 and \$120 million. Mr. Jenkins obviously intends to recoup his investment by selling the higher bandwidth for a fee. That is bandwidth above the free internet which is coming on line at 128 kilobits.

So what's the big deal about Wireless Oakland? Well, for one thing it has never been done before on this scale any place in the United States, and for that matter, in the world. It will establish Oakland County as a truly high-tech County in the eyes of the emerging sector companies that we are hoping to attract to Oakland County with their high-tech, high paying jobs of the 21st Century. It makes a loud, undeniably strong statement about Oakland County's commitment to technology.

I predict Wireless Oakland will prove to be an economic development bonanza, sending a message to prospective companies that Oakland County is an ideal place to come invest and create jobs.

Wireless Oakland will also help educate our children, re-educate and retrain our current workforce, and because the bottom bandwidth is for free, it will immediately close the digital divide between those who have access to the internet today and those who have never been there before.

I'd like to introduce the full team that is responsible for Wireless Oakland:

First, the "A Team."

Cisco ... Cisco is a multinational company that will provide technical training and equipment for our system.

Johnson Controls ... also a multinational company that will provide technical construction management for the network installation.

LECOM ... a major southeast Michigan installation firm that will install and maintain the utility infrastructure.

XTnrgy ... the financial partner that specializes in major infrastructure deployments, will secure the necessary capital to fund Wireless Oakland.

Playing a critical and supporting role are the following companies: RF Connect ... Johnson and Anderson Inc. ... UHY Advisors ... SMZ Advertising Inc. ... Dykema ... Huntington Bank ... Cox Hodgman and Giarmarco, P.C.

Certainly there is a team member that should be on the board. A critical player that is necessary for the backbone of our system. We could not build a countywide system without access to the DTE Energy poles. Potentially 20,000 of them will hold our receiving and transmitting devices. I publicly want to thank the President of the company, Tony Earley, who I called upon frequently during these two years of development for his support. Tony stepped up and brought the right people to the table and we were able to close the deal. My thanks to Tony Earley's leadership and to DTE.

I'd certainly be remiss tonight if I didn't thank one other individual. As we get hits on our website from around the world, basically our competition is downloading all the legal documents that have bound this group of talented companies together into a laser-like focus.

The drafter of these legal documents had no form book to follow. These documents are all her original work. We did our legal research, partnership agreements, and intergovernmental agreements in-house, utilizing our Oakland County Corporation Counsel's office. I specifically want to recognize tonight an extremely talented young lawyer in that office, Jody Hall. Don't let that cute bespectacled appearance fool you. She is one tough lady who drafted some extremely important and cutting edge documents that protected the interests of all parties to this exciting project.

My compliments tonight to Jody.

Before I move on to another subject, I have one final exciting announcement tonight associated with Wireless Oakland. I am delighted and excited to announce yet one more company who has come to the table to participate in this internationally watched endeavor. It is a company that needs very little introduction to the technology world.

Ladies and gentlemen, we have a signed Letter of Intent from the newest member of the "A Team," The Microsoft Corporation. Microsoft will develop and maintain all content, advertising and services on the Wireless Oakland portal. With their support and involvement, I am convinced that Wireless Oakland will be the premiere wireless project in the nation.

So the A-Team that will drive Wireless Oakland to success and to worldwide acclaim is now solidly in place.

There are a couple of other phases to Wireless Oakland that I should touch upon very quickly before moving on this evening.

Phase Two is to find low cost and no cost computers and get those computers into the hands of the underserved, those who have never been on the internet either because of financial or educational limitations. We don't intend to just give people computers, we also intend to provide them the basic training on how to use them. We have several local colleges and business schools that have stepped up and offered to do the necessary training free of charge for our residents.

And the final phase of the Wireless Oakland project is to develop a tool kit for local communities. Local communities sometimes are a little put off by technology. This tool kit gives them the way to embrace technology in order to position their local community to keep pace with the challenges and opportunities of the 21st Century.

Ladies and gentlemen, I cannot tell you tonight how proud I am of Wireless Oakland and my team, Bertolini, Oppmann, Shepherd, and my entire staff that played various supportive roles. And, of course, our very, very talented private sector partners who have all combined to make history right here in Oakland County.

The Governor's Veto

As I play my part in driving Oakland County down the road toward hopefully more successes, I am forced to take a quick glimpse in my rearview mirror and admit that not everything in '06 worked out the way I wanted it to.

Most notably, of course, was the much publicized collision between my office and the Governor's over her veto of proposed legislation that would have allowed Oakland County to once again lead the nation through a unique approach in solving one of the thorniest issues of our time: that is, of course, dealing with the legacy costs of healthcare for retirees.

It is an issue that challenges the public and private sectors around the country. The Big Three, for example, has a combined \$113 billion of unfunded retiree healthcare costs to deal with. The State of Michigan is somewhere between \$20 and \$40 billion. An actuarial report has estimated the City of Detroit's legacy cost at \$7.2 billion in 2004. The State of New York is at \$250 billion. And the national tab will be in the trillions. The numbers for the larger Michigan municipal corporations will be released sometime over the next six months.

Promises and commitments made to employees who came to work for government 25 – 30 years ago are now coming home to roost.

Oakland County is in a far better position than many to deal with this healthcare legacy cost because of sound decisions we made in the past.

More than 20 years ago, Oakland County ordered an actuarial study be done on our healthcare costs and afterwards we commenced a tough payment schedule for the next 40 years. No other municipal corporation in the state, no county, village or township has begun to pay down their healthcare debt.

Oakland County has taken additional proactive measures over the past two decades which now position us to realistically deal with our obligation to fund retiree healthcare.

In 1994, we switched from a defined benefit plan to a defined contribution plan. Both retirement plans are currently fully funded.

In 1995, we increased the amount of time an employee must work at the County (to 25 years) in order to fully vest in our retiree healthcare program. This was considered a leading edge change for public sector employment at the time.

Other changes since 1995 include requiring employees to pay contributions toward their healthcare costs; introduction of a three tiered prescription co-payment; increased deductibles and office visit co-payments.

And most significantly, in January 2006, we were the first County in Michigan to implement a Health Savings Account (HSA) for incoming employees in lieu of a traditional retiree healthcare program.

This latter change serves to provide the County with a predictable, limited future liability and allows us to focus our efforts on addressing how to pay for commitments previously made to both employees and retirees

The last piece of the puzzle in our decade's long battle to responsibly manage retiree healthcare costs was legislation that would have allowed Oakland County to proceed with a bond sale that would have eliminated the balance of our unfunded obligation, approximately \$486 million. Paying off our healthcare obligation with low interest bonds would have saved the taxpayers of Oakland County over \$155 million.

In this final move to checkmate our retiree healthcare costs, my staff should be credited for coming up with an approach which was unique in the United States. Certainly Oakland County doesn't mind being the first one through the door to show all the other municipalities and local units of government that there is a way out of this legacy cost thicket.

In order to make this bond sale happen, we needed to tweak the bonding legislation in Lansing and sought relief through the Michigan Legislature. Both the House and the Senate passed it, as you know.

Wall Street took a look at our approach and called it brilliant. Even the Governor at one time said it was "creative," only to turn around and veto the legislation early last month.

I won't go into all the arguments why I feel that it happened or the arguments why I feel it was unjustified and unfortunate. It's just important tonight to know that it did happen.

As you would expect, we had a Plan B and are now in the process of executing that plan.

Plan B involves the utilization of Trust Certificates. It will accomplish the same goal. We will raise the necessary capital to pay off our healthcare obligation and get Oakland County out of the healthcare business once and for all. The problem with Trust Certificates versus the bonds that the Governor vetoed is very simple: there's a difference in interest rates. The higher interest rate charged for Trust Certificates results in less generous savings to the taxpayers of Oakland County. But on balance, the Trust Certificates are still worth the effort and we are proceeding apace with this approach.

Looking Forward: Cobo Hall

You know how you can tell when spring is upon us? There are harbingers of this change of season. The swallows return to Capistrano and the buzzards come back to Hinckley, Ohio.

You know how I can tell that winter is officially here in southeast Michigan? Every young man's fancy turns to thoughts of expanding Cobo Hall.

I call this whole debate my MYQ – my yearly quandary.

So, yes, the perennial debate has once again been joined and the respective parties are girding their loins for battle.

(I have no idea what that means, I just thought it sounded good.)

I have been Oakland County Executive now for 14 years. Let me try to explain my position and that of Oakland County for the 14th time.

Question 1: Do we in Oakland County believe that Cobo Hall should be upgraded and expanded?

Answer: Yes, specifically in the City of Detroit.

Question 2: Do we believe that if Cobo Hall were substantially expanded, that it would guarantee that the North American International Auto Show would stay put in Cobo Hall for the foreseeable future?

Answer: Well, probably. I say probably, because the sponsors of the Auto Show are reluctant to sign any agreement stating that they would stay despite any expansion. Let's assume, for purposes of discussion tonight, that the North American International Auto Show would stay put.

Question 3: Do we understand that whether it's Mayor Kilpatrick's plan or Wayne County Executive Bob Ficano's plan, the basic cost of such an expansion approaches \$1 billion?

Answer: Yes, that's the accepted number.

Question 4: Who's going to pay that amount?

Answer: Aye, laddie, there's the rub.

Back in 2005, Mayor Kwame Kilpatrick announced at the Auto Show that he had a plan to construct a brand new convention center at a cost of \$1.3 billion. When we heard the price tag and saw some – and the operative word here is “some” – of the details of the plans, we realized that a significant amount of the funding burden was going to fall upon the taxpayers of Oakland County. We began to ask some tough questions. Ultimately, the project was scaled back to an expansion of the existing facility by 225,000 square feet at a cost of \$650 million.

Throughout the process I took some heat in the media for not being “a regional player.” I reminded my friends in the media then, and I do so again tonight, I'm not the County Executive for the region. I'm the County Executive who serves in an absolute fiduciary responsibility for Oakland County's 1.2 million residents.

From the Kilpatrick plan in '05, let's fast forward two years to the plan just proffered by my friend the Wayne County Executive Bob Ficano. He, too, wants to expand Cobo Hall by 225,000 square feet, but this time at an overall cost of \$968 million, and a construction cost for the facility itself proposed at \$425 million.

Ladies and gentlemen, lest I overstate the obvious: in 2005 the proposal by Kwame Kilpatrick was \$650 million for the construction costs. Two years later the construction costs for the same 225,000 square foot expansion of Cobo proposed by the Wayne County Executive was \$425 million.

By simply asking some tough questions, we were able to knock \$225 million off the construction costs! In other words, we saved the taxpayers of the region \$225 million of unnecessary costs associated with expanding Cobo.

Now, I call that progress.

The new Ficano plan does contain some positive elements, such as the obvious lower price tag than the previous proposal; a Regional Governance Board which we had argued for over the last couple of years, comprised of representatives from the State, City of Detroit, and Wayne, Oakland and Macomb Counties; and the transfer of Cobo to a private authority which would then be put into the hands of a private professional manager.

But Mr. Ficano's plan still begs the obvious question – who's going to pay for it?

You would think that those who benefit directly from an expanded Cobo would be standing in line at the pay window to contribute their share of the cost. But in Ficano's proposal there was no mention of the Big Three chipping in – not a dime. And since we're apparently hell bent on saving specifically the Auto Show, you'd think they would write a check – and by the way, folks, I don't expect them to write a check for \$10 or \$15 million on day one. Spread it out over 15 – 20 years, the same length as the bond schedule.

There was no mention of the State putting up even a nickel, despite the fact they contributed \$65 million to the convention center in Grand Rapids; no contributions from the casino operators who will obviously benefit from an expanded Cobo Hall where more and more conventioners arguably will come to Detroit and gamble while they're here; and no plans to ask other counties in southeast Michigan to participate.

Why is it always Wayne, Oakland, Macomb? That paradigm goes back to the end of World War II. Let's talk about other counties that have come of age. Certainly Washtenaw comes to mind.

The more stakeholders who ante up, the less we have to bond. Debt payments would be correspondingly reduced.

The Ficano plan would commit the tri-county area to an extension of the existing hotel/motel and liquor taxes to the year 2037! That's well beyond the present expiration date of 2015 when we would have finally escaped from under the debt of the first Cobo expansion that occurred back in 1989.

You should know that since the imposition of the tri-county hotel/motel and liquor taxes in 1989, Oakland County alone has contributed \$157.2 million to the Convention Facility Fund to retire the debt from that last expansion. When do we say enough is enough – let my people go?

Clearly Oakland County and the surrounding counties recognize the importance of the Auto Show for the image of the City of Detroit. For that matter the image of the entire region. But we simply cannot be asked to sit down and write blank checks. We have the right, and I think the responsibility, to raise legitimate questions.

I'd also like to point out a huge mystery that causes me to wake up in the middle of the night. I look at Kwame Kilpatrick's proposal of a couple years ago of \$1.3 billion. I look at Ficano's \$968 million plan. Then I scratch my head and say how did my friend Blair Bowman build the Novi Expo Center, now called Rock Financial Showplace, a brand new building, 336,000 square feet, state-of-the-art facility, jammed all the time with shows and exhibitions? How did he build that facility – are you ready for this one, folks – for only \$18 million? And if you throw in the price of the land, it was \$30 million.

Indeed, those are things that make you go “hmmm.”

Alternative Funding Options

Mayor Kilpatrick and Wayne County Executive Bob Ficano, both friends of mine and people I know to be dedicated public servants, are attempting to solve what is quickly becoming a decades old problem: how to finance the next expansion of Cobo Hall that we all agree is needed.

Well, those two gentlemen have both come up with the same solution: basically, let's ask the taxpayers for more money for a longer period of time.

Folks, they just can't help themselves; it's in their genes.

The taxpayers of southeast Michigan, and certainly Oakland County, don't need the burden of additional taxes. We certainly don't need the burden of additional taxes on a facility that returns very little on that investment to the residents of this County. The whole idea of taxing hotels/motels began with the argument that conventioners would be spilling over into our hotel rooms. Ask any hotel owner in the County whether that occurs.

Michigan is struggling mightily in a one state recession.

We've got the highest unemployment in the nation. We're even behind Katrina-ravaged Mississippi. In fact, around the country they are derisively referring to us as “Michissippi.”

Atlas Van Lines says more people are leaving our state than any other state in America. Our foreclosure rate in Oakland County has more than doubled over the past year where now 1 out of every 97 homes is at risk. This is simply the wrong time to ask the good people in southeast Michigan to pay more in taxes.

Since we all agree we need an expanded Cobo in order to save the Auto Show, and since I'm not for extending or raising taxes to pay for it, what would I recommend?

If you're going to be critical of someone's proposal, whether it's Kwame Kilpatrick's or Bob Ficano's, you damn-well better have a counter proposal of your own.

Well, I do.

I have come up with five methods to fund the expansion of Cobo Hall in almost painless ways.

My five alternative funding plans are as follows:

1. Enplanement Fees – Given that the use of a convention center is often tied to the arrival of out-of-town travelers, I propose a modest enplanement fee of \$1.50 per ticket/passenger. This fee would be added to the cost of a commercial airline passenger ticket that boards or connects at Detroit Metropolitan Airport. This would generate in excess of \$24 million. Obviously, this number would increase in the future as the commercial airlines services continue to expand at Detroit Metropolitan Airport.

The principle of the enplanement fee is that it would require no adjustment in the hotel/motel taxes whatsoever. In the year 2015 the hotel/motel tax and the 4% excise tax on alcohol sales will expire. (More on this point later.) The \$24 million-plus generated by a \$1.50 fee on a boarding or connecting passenger would be more than enough to replace the revenue from the hotel/motel taxes now being imposed.

2. A Fourth Casino – The three current casinos in Detroit generated revenues in 2006 of \$1.3 billion, up 6% from the 2005 revenues. The three casinos pay roughly \$110 million in taxes to the City of Detroit on an annual basis. Such taxes are received into the City's General Fund. In addition, the three casinos paid more than \$157 million in state taxes in 2006. The public's continued appetite for gaming remains very strong, even as the economy in the region is struggling.

A fourth casino could get a jump start due to new federal regulations requiring a passport to enter Canada.

A Cobo Hall expansion has been asserted by many proponents to provide opportunities for additional events to be held in the facility. While Oakland County remains somewhat skeptical, it would be a hard sell to expand Cobo Hall solely for the Auto Show. With additional conventioners coming throughout the year for other events, the opportunity to secure additional revenues with a new casino is obvious.

3. Mini Casino – If a fourth casino is unrealistic, then at least a "gaming room" should be set aside in the expanded Cobo Hall that would serve the same purpose, albeit scaled down. A room with just slot machines alone, somewhere between 350 and 500 slots, would generate enough revenue to satisfy the required bond payments for an expansion of Cobo as set forth in the Ficano plan.

Michigan's experience with more than 10,250 slot machines in existence at MGM Grand, Motor City and Greek Town, have confirmed that each slot machine generates approximately \$116,289 per machine annually.

Simple math would suggest that 350 - 500 slot machines, set aside in a mini casino at Cobo, would generate more than enough revenue to pay for the proposed expansion of Cobo Hall.

Because a fourth casino will be challenged by operators and owners of the three existing casinos, I propose that the three casinos operating today in the City of Detroit enter into a joint venture to own and operate the fourth casino and split the profits after a set amount has been deducted for the expansion of Cobo Hall, pursuant to the Ficano plan.

4. Racino – Another possibility to fund the Cobo Hall expansion would be to tap into the potential of Michigan's six horse racing tracks which have fallen on hard times in recent years. At one time the horse racing industry in Michigan was among the top three industries in the state. Introduction of video lottery terminals (the new politically correct word for slot machines) could easily generate sufficient revenues to avoid the need for any other revenue source to cover the expansion of Cobo. Dependence upon the existing hotel/motel and liquor taxes could be ended.

Michigan has horse racing tracks in Northville, Jackson, Hazel Park, Mt. Pleasant, Schwartz Creek and Muskegon.

An earlier study done in 2003 by Michigan State University, specifically the Travel, Tourism and Recreation Resource Center at MSU, projected potential gross revenue at \$1.7 billion if video lottery terminals were introduced at the then seven existing tracks in Michigan. (Saginaw has since closed its track – a sign of the times.) I would humbly suggest to you that there would be more than enough funds to retire the Cobo Hall debt, with ample funds left over to either invest in education or reduce business taxes in the State of Michigan.

Not only would the introduction of video lottery terminals at the racetrack pay for an expanded Cobo, it would also contribute significantly to the revitalization of our agricultural industry and create jobs in local communities where the tracks are located. Revenues would be generated for local vendors of contracts, merchants, and the state could even bank on the benefit of increased tourism.

5. Diversion of a Little Known Existing Cigarette Tax – Ah, yes. Let's talk about that secret statewide cigarette tax that flows only to Wayne County. It's not really a secret tax, it's just that nobody knows about it.

Here's the story: In the mid-to-late 1980's, Wayne County had incurred a substantial deficit in its General Fund arising from several causes, but principally related to indigent medical care costs. The Wayne County General Fund was obligated to cover the then indigent medical care

provided within Wayne County's borders. During those days, the Wayne County deficit approached \$200 million and resulted in an opinion by an outside audit firm that Wayne County could be in jeopardy of bankrupting its operations unless there was a substantial restructuring of its debt.

In response to the Wayne County emergency, the Democratic controlled Legislature imposed a new 4¢ per pack cigarette tax to be collected from the sale of all cigarettes in the State of Michigan.

Some of the revenues from the new 4¢ per pack tax were meant to cover principal and interest payments related to approximately \$200 million in Fiscal Stabilization Bonds, as well as Emergency Loan Board notes, that would finance the deficit in Wayne County's General Fund.

The Emergency Loan Board notes were paid off in 1997 and the Fiscal Stabilization Bonds are expected to be paid off in 2010. When those bonds are paid off in 2010, the \$16 million-plus in revenues currently being generated from the statewide cigarette tax would be a logical source to cover the debt service on an expanded Cobo Hall. It would be an easy diversion of that tax revenue from its present debt requirement allocations to assume a similar role in retiring the bond debt on an expanded Cobo Hall project.

(Full text disclosing the arrangement between the State and Wayne County can be found in "Patterson's Plan to Fund the Cobo Hall Expansion" presently posted on the County's website.)

There would be no budgetary impact on the State since it is already collecting the tax and distributing part of the proceeds to Wayne County.

Frankly, any one of my five alternative funding proposals to pay for the Cobo Hall expansion is more palatable than extending the present tax on hotel/motels and the alcohol sales until the year 2037.

Once Detroit's dependence upon our hotel/motel tax and liquor taxes has ended, I would propose an immediate 50% reduction in hotel/motel and liquor sales in the tri-county. A continuation of those taxes at 50% of the current rates would generate annually \$9 million in Oakland County alone.

I propose tonight that the \$9 million that would be generated by a reduced hotel/motel and liquor tax burden be set aside in a locally controlled "Infrastructure Fund" to be formed. The money could go directly into projects to reduce congestion and fix crumbling roads here in Oakland County.

Economic Development Efforts

I spend a great deal of my time down the hall in the office of Dennis Toffolo, my Deputy County Executive who is assigned the overall responsibilities for Economic Development efforts ongoing at Oakland County.

You may recall from a previous State of the County Address, in late '03 I asked Dennis to undertake a project that now has been officially registered as the "Emerging Sectors Program." Basically this program is our effort to look out into the future 20 or 30, maybe even 50 years, and try to divine what Oakland County might look like if we could waive a magic wand and attract the kind of businesses and jobs to our area that would guarantee our future economic prosperity.

In '03 I also asked Dennis to identify ten sectors of future economic growth, the high-tech, high paying, and high quality jobs of tomorrow. Having once identified those sectors, which are now on the board behind me, we then set about attracting specific businesses within each of those sectors in an obvious attempt to accomplish one thing: to diversify the economic base here in Oakland County. We want to attract the knowledge-based, high-tech jobs that will be the backbone of Oakland County's diversified economy in the decades to come.

In pursuit of that effort, Dennis and I, along with our team, went to Sweden last year, and we took along with us Dr. David Felten, Director of Research at the Beaumont Institute. We called upon many biotech and bio-med firms that proliferate in that very upscale and well educated country. We hit pay dirt.

Since our return home we've had at least four companies follow up with us and are presently doing their due diligence with respect to Oakland County and Beaumont Hospital. We are very hopeful that they will open up offices here soon to work in conjunction with some of the clinical trials ongoing at Beaumont Hospital.

While in Sweden I even had a chance to speak briefly at the Karolinska Institute in Stockholm. I'm not sure you're sufficiently impressed by that claim tonight, so let me put it into a slightly different context. That would be akin to Kwame Kilpatrick dancing at the Bolshoi Ballet.

This year Dennis and I once again will pack our bags and make a similar Emerging Sectors trip to India, the world's largest democracy, as well as the largest population center on the planet Earth. India is rich in technology companies, many of which want to break into the United States market. We'll be there to personally extend the invitation this March.

How successful has our Emerging Sectors initiative been? Well, since the program was launched in the summer of '04, we've been able to attract 40 Emerging Sector companies (obviously, I'm not including in that number other types of businesses that have come to Oakland County outside the Emerging Sectors umbrella). The new 40 Emerging Sector companies have invested more than \$316 million and created 3,895 new jobs.

If you look at the pace of those companies expanding into Oakland County from around the world, frankly, I think it's an excellent start to a program that will ultimately prove to be critically important to our future prosperity. It's a program that will take 15, perhaps 20, years to roll out before its full economic impact is appreciated.

I certainly want to recognize and thank my good friend Dennis Toffolo for his efforts, along with Doug Smith, the new Director of Economic Development and Community Affairs.

And I certainly would be remiss if I didn't acknowledge and thank the Oakland County Board of Commissioners for its wholehearted and steadfast support of this Emerging Sectors initiative.

China

As we attempt to build the Oakland County economy, we are mindful we are not doing so in a vacuum. We are facing competition from around the world. One of the greatest challenges, of course, is the awakening giant called the People's Republic of China. As I mentioned earlier, the prestigious international banking firm Goldman Sachs has projected that China will become the largest economy in the world by 2045, and they appear well on their way to pulling off this feat with an annual growth rate of 8.5% compared to America's 2% to 3% over the past several years.

China is devouring raw materials like steel, concrete and oil at a staggering pace. According to China's Peoples Daily, this country of 1.3 billion people will see domestic consumption of raw materials reach \$1.1 trillion U.S. dollars for the first quarter of the new year.

And here's a staggering growth statistic: once again, it's offered by Goldman Sachs who estimates the number of automobiles in China will increase from the 12 million vehicles they have today to over 500 million in 2050.

Frankly, if we don't appreciate the size and scope of the global challenge presented by China, our kids and grandchildren will simply be left behind.

Mandarin Chinese

That is why recently I made a presentation to Vickie Markavitch who is the Superintendent of Oakland Schools, and a select committee of interested superintendents from Oakland County's 28 school districts. My proposal to them was simple: I want Oakland County to be the first county in America to teach Mandarin Chinese in all 28 school districts.

I'm not expecting fluency. I do want our students to at least be aware of some of the basics of Mandarin Chinese, since today it is the most spoken language in the world. Very few of our students can speak it, and unfortunately even fewer are learning it.

Further exacerbating the problem, it is reported that China has more speakers of English today as a secondary language than America has native English speakers.

I think it's both critically important and prudent to understand the global challenges facing us over the next 50 years and begin to position our children to adequately respond to those challenges. Unfortunately, the National Geographic Society recently reported that our nation's students are "dangerously uninformed" about international matters, particularly Asia, home to 60% of the world's population. They know little about China's customs, language, culture, religion, politics or economics, and we have to begin to change that.

My initial proposal to this group of educators I believe was well-received. I will continue to meet with the school superintendents and the director of ISD in the hopes of finding a way to introduce the instruction of Mandarin Chinese at some level in the various grades throughout Oakland County's 28 school districts. It could be as simple and as basic as learning vocabulary words – that would at least be a start.

When I can boast that all 28 school districts in Oakland County are teaching Mandarin at some level, I don't think we can even begin to predict the return on that educational investment.

I know this goal may take some time to develop, but let me quote a Chinese proverb that makes my point tonight: "One generation plants the tree and another gets the shade."

I would be remiss, perhaps even intellectually dishonest, if I didn't tell you that a good friend of mine, the former Superintendent of State Education, Tom Watkins, actually wrote about this idea and brought it to my attention in many subsequent conversations. I thank Tom for an excellent idea and I will do my best to run with it here in Oakland County.

Rapid Fire

On such an occasion as the State of the County Address, I'm mindful of the temptation to throw in too many subjects as I try to give you a complete picture of what's happening here in such a dynamic county as Oakland.

I've barely begun to scratch the surface tonight, but in the interest of time, let me move toward my close with a series of rapid fire comments about other select programs, just to let you know they are still in action and still achieving results:

- Workforce Development – John Almstadt, the Manager of Workforce Development, basically has one of the toughest jobs in county government today because he's taking care of our displaced workforce and hoping to retrain them and give them the skills for new employment opportunities as they are created here in Oakland County.

At my request, John has updated his publication first released last year. It is entitled "Apprenticeships In Oakland County and Southeastern Michigan." It has almost doubled in size from the first year's effort. It is an excellent compendium of apprenticeship programs offered throughout Oakland County for young people who, for whatever reason, may not be college bound but still want to have a piece of the American dream.

The apprenticeship programs offer an entrée to that opportunity, and John's publication tells you how to apply for any one of these programs listed in the publication. By the way, this publication is on our website and I also have some hardcopies available in the lobby after tonight's address.

- The Oakland County Health and Human Services Department has not only led the state, but I think led the nation, in preparing this County to respond quickly to a dreaded pandemic flu outbreak. The Health Department has prepared a handbook entitled "Preparation ... Not Panic" and has distributed over 500,000 copies to school districts around the County. It is also available on our website at www.oakgov.com.

When influenza pandemics occurred in the 20th Century, 50 million lives were lost worldwide in 1918 with 675,000 right here in the United States. Two million lives were lost worldwide during the outbreak in 1957, and then again in 1968 we lost 700,000 worldwide with 34,000 Americans lost. History tells us that we should prepare...not panic, and many kudos to my Health Department for your efforts in alerting and training the public. Again, take a look at the whole program on our website.

- Wellness Initiative – In the March, 2006 issue of Time Magazine it was reported that 60% of Americans are overweight, with the percentage of population considered to be obese nearly doubling since 1980. Healthcare costs directly attributable to obesity exceeded \$75 billion in the year 2003. You may recall a few years ago I started the "Count Your Steps" pedometer walking program for all third and fourth graders in Oakland County. And if you pardon the pun, it was a step in the right direction. We have to get ourselves back in shape and what better place to start than with our children.

My Department of Human Resources, in conjunction with the Board of Commissioners, recently set up a "Wellness Initiative" for County Employees. Our website has tips for healthy living, a cookbook with healthy recipes, and we've recently introduced on our campus an onsite chapter of Weight Watchers. We've set up health screenings for employees to check their cholesterol, blood pressure, body mass index and blood sugar levels.

The Wellness Initiative holds great promise for creating an environment that helps our employees live healthier, contributes to enhanced productivity, reduces absenteeism and Worker Compensation claims, and overall makes Oakland County a more attractive place to work.

My congratulations to Nancy Scarlet, Director of Human Resources, and to her dedicated team for this effort.

- I would be remiss if I didn't comment on the courts in Oakland County. With the support of the Board of Commissioners, we are about to add one more Circuit Court Judge to the 19 judges already seated on our Circuit Court. Because of our growing population, we must keep pace with the demands upon the judicial system. Upon the Board's approval, a 20th judge will be added in November of '08 to what is recognized as one of the hardest working judicial benches in the entire State of Michigan.

Awards

As I do every year, ladies and gentlemen, I have the opportunity to present the State of the County and certainly take many bows for the achievements of Oakland County government. But you all know that I make sure every year to point out that this is not a one man show around here. We have a talented team of countywide elected officials in office: Dave Gorcyca, Prosecutor; Pat Dohany, Treasurer; Ruth Johnson, Clerk; Sheriff Mike Bouchard; and Drain Commissioner John McCulloch; along with about 4,200 men and women who labor daily behind the scenes in various departments who should be given credit tonight for making Oakland County a leader among local units of governments across the USA.

I am very proud of our Oakland County elected officials and employees for their dedication to the job, as I hope you are. They work hard and the end result is a quality product.

I've been able to catch a couple of our County employees coming to work on video. I think this snippet speaks volumes about the dedication of our employees here at Oakland County and I would like to share the video with you tonight.

(Show video)

I'm just kidding. I'm just kidding.

You know I have the highest degree of respect for my employees and confidence in my employees, otherwise I couldn't make jokes at their expense.

Last year, once again, individually and collectively, our employees were recognized with a plethora of honors and awards. That's the good news. The bad news is I don't have enough time to mention each and every award, so I'm going to ask all of you in the audience to cast your eyes on the screen behind me as we scroll through the list of awards. And for those listening at home on the radio, I ask for your indulgence.

The awards are:

- Purchasing Division – Outstanding Agency Accreditation Achievement Award from the National Institution of Governmental Purchasing
- Fiscal Services Division – Certificate of Achievement in Financial Reporting; Distinguished Budget Award and Popular Annual Financial Report from the Government Finance Officers Association of the United States and Canada
- Automation Alley – U.S. Department of Commerce Award for Excellence in International Trade
- Oakland County International Airport – Balchen-Post Award from the Northeast Chapter of the American Association of Airport Executives for outstanding performance in airport snow and ice removal (2005-2006) in the category of large aviation airports

- Animal Control Division – Nomination by the ASPCA as Shelter of the Year (nationally) and Unsung Heroes Award from WCSX Radio
- OakVideo – 2006 Digital Government Achievement Award in Government-to-Government Category
- Emergency Response and Preparedness – State Award for Community Emergency Response Team (CERT) Training
- Retirement Division – 2006 Leadership Recognition Award from the National Association of Governmental Defined Contribution Administrators for the 457 Deferred Compensation Plan
- Oakland County Information Technology – Fourth Most Digital County in America for populations over 500,000 from the Center for Digital Government and National Association of Counties (NACo)
- Oakland County Government– Eleven NACo Achievement Awards for 2006 – Apprenticeship Outreach Program; Airport Ground Run-Up; Criminal Justice Data Warehouse; Culturally Competent Chemical Dependency Program for Hispanic Families; Hospital Mutual Aid Consortium Agreements; Identity and Access Management; Infant Health Promotion Billboard Campaign; Interactive Vulnerability Zone Map; Medical Reserve Team (MRT) Program; Modular Emergency Medical System; and Superhighway to Success: Career Pathways for the 21st Century
- OakVideo – CIO Magazine Award as one of its 100 Award Winners for 2006 and Michigan Digital Summit Award Winner for Most Innovative Use of Technology
- Oakland County – Named a 2006 Best of the Web County Portal finalist by Center for Digital Government
- Sheriff's Department – National Gains Center, recognized for the collection and dissemination of information regarding effective mental health and substance abuse services, selected Sheriff's Office Post Book Jail Diversion Program for a presentation at their national convention in May
- Oakland County Probate Judge Eugene Moore – Recipient of the 2006 "Friend of Children" Award by the Lutheran Child and Family Services of Michigan
- Oakland County Circuit Judge Fred Mester – Received the Oakland County Republican Party's 23rd Annual Salute to Justice Lifetime Achievement Award and the Michigan State Bar "Champion of Justice" Award

- James Windell (Family Division of Circuit Court, Clinical Psychologist) – Received the Michigan Psychological Association’s Beth Clark Award for outstanding service
- Kevin O’Shaughnessey (Youth Specialist, Children’s Village) – Recipient of Department of Health and Human Services Lifesaving Award
- Joshua Moyses (Youth Specialist, Children’s Village) - Recipient of Department of Health and Human Services Lifesaving Award
- Dawn Smith (Human Resources) – Voted Automation Alley Member of the Year
- Julie Secontine (Risk Manager) – Received federal appointment to serve on a select national committee to review homeland security grant applications submitted by states
- Commissioner Eric Coleman – Received the 2006 County Political Leader of the Year Award and is President-Elect of the National Association of Counties (NACo)
- Dr. L. J. Dragovic (Medical Examiner) – Received a gubernatorial certificate recognizing his participation on the Task Force on Elder Abuse

Ladies and gentlemen, you can see from the lengthy list that talent abounds in Oakland County government, recognized and heralded around the country.

I’m sorry those at home couldn’t see the full list, but this entire address, including these awards, is on our website.

Future Initiatives

In closing tonight, let me make a few final comments. Over the past 14 years I have been working closely with Deputy County Executive Bob Daddow and Director of Management and Budget Laurie VanPelt on tough budget issues. They are the pros and I learned at their knee. Once I was satisfied we were not only on the right track, but actually leading the State in best practices when it came to budgeting, I turned my attention to economic development programs such as the Business Roundtable, Automation Alley, and Main Street. And last, but certainly not least, the Emerging Sectors initiative which is going so well.

If there’s still a part of the balance sheet which needs to be addressed, and which I would like to focus on over the next 18 months, it would be what I would call Quality of Life issues. Many of these programs that I am going to announce tonight are in their infancy. They are under discussion. We’ve had meetings on them behind closed doors, but not in public until now.

On the drawing board for the '08 calendar year will be the first Oakland County 1/2 Marathon, 10K and a 5K race, modeled after the extremely successful Bobby Crim race in Genesee County. I'm convinced that with good planning, which we've already started, we can bring a similar quality of life event to Oakland County in the summer or fall of '08. We have great communities and vistas in which to lay out a challenging course.

We're also meeting and planning to launch, in calendar year '08 as well, the first Oakland County Winter Carnival. It will feature a cross country ski challenge, where we will be able to attract winter enthusiasts for this outdoor athletic contest. We intend to utilize many of our fine trails and parks, ending up at a Winter Carnival site to celebrate the day with such activities as sleigh rides, snow shoeing, ice carving – all the usual suspects.

Finally, as hockey continues to be a sport which attracts interest from young and old alike, I've asked Steve Huber, who is on my staff in the Economic Development department, to plan and organize an "Over 50 Hockey Championship Series" where 100 qualified teams from around the region will compete at some of our finest ice rinks here in Oakland County.

Why did I select Steve Huber, you might ask? Well, I found out recently that Steve, the guy who produces our marketing material for the Department of Economic Development, has been a hockey aficionado for more than 30 years.

But I don't think that fairly describes his background. He's been involved in hockey for over 30 years, refereed in the International Hockey League for 15 of those years. And most interesting, I thought, was his stint as a hockey referee in the 1980 Olympic Games played at Lake Placid. Certainly the right person to organize this tournament.

And my personal role in all of these outdoor winter challenges? I intend to be the one serving hot cocoa at the finish line.

Closing

I recently felt obliged to end a rumor that I would not be seeking re-election in the year 2008. I don't know exactly where that rumor got started, but I have a hunch it was Democratic Caucus Chairman Dave Woodward ... just kidding, Dave.

Let me put that rumor out of its misery: Only God or the voters of this County will prevent me from returning to this hall next year and the years after to report on the state of Oakland County.

To quote Malcolm Forbes: "Retirement kills more people than hard work ever did."

This is the best job in the world and I am indebted to all of you here tonight for allowing me the opportunity to serve you these past 14 years. I also thank you for taking time out of your busy schedules tonight to listen to the State of our County.

Thank you and good night.