It's always a pleasure to be here at the City Club. Lately, here in Portland we have gotten used to national magazines heralding us as the nation's most livable, most child friendly, most bike friendly, most all around wonderful city. And the magazines are right. Portland is a fabulous place. And we know it.

We also know that much of what makes Portland so wonderful today stems from bold, far-sighted actions taken decades ago. Now, let me ask you to think about the boom years of the 1990s, those glorious years of seemingly unlimited prosperity. I believe that we didn't take similarly farsighted actions during the 1990s, that will pay big dividends 20 or 30 years from now.

We have been doing a generally good job of the day-to-day tasks of keeping Portland running. And we have been doing a good job of fulfilling the vision that an earlier generation of leaders articulated. But I fear that in some critical areas, we are not thinking clearly about what we want Portland to be. Note that I said, "What we want Portland to be," as opposed to saying, "What we want Portland to look like." The foundation of a successful city isn't made only of bricks and mortar. It is also built on people, families and ideas. Portland has some tremendous natural advantages in these areas, and I want to talk about the things I am going to do to capitalize on them.

Before I talk about where we should go, I want to talk a bit about where I've been. That is, what I've learned in my first term on City Council, or as I like to say "Education of an Innocent," Now, some of you may be surprised by that term. After all I was on the Multnomah County Commission. I used to be on Ron Wyden's staff. I wasn't exactly born yesterday. Still, as I look back on these past four years in office, I do feel as if I came in as a bit of an innocent. For instance, I was surprised that the very first day I started here, people asked me what office I'm going to run for next. Before I had even hung art on my walls, people expected me to be thinking about which office I would be decorating in the future, whether it be in City Hall, Mahonia Hall or the Halls of Congress. Maybe it's just me, but I find that a bit bizarre. It may shock the conscience, but I ran for this office, because I really wanted to be on City Council. I love this job. But as the questions persisted, it caused me to think. And so at the end of this speech, I will have an announcement about my political future that may seem surprising. But I'm getting ahead of myself.

As an innocent, I took office brimming with new ideas. I was going to push Portland to the forefront of the Green economy. Invest in our children. Make the City run more like a business. Of course, running like a business had a better ring to it before World Com, Arthur Anderson and Enron... But I still put a high value on old-fashioned business values like good customer service and providing good value for money spent. As I prepared to assume office, I imagined the barriers to getting things done melting away before the power of my compelling, original vision. OK, so maybe not. Especially the part about the barriers melting away. Still, I'm happy to say that we did make progress in all of these areas.

We have taken on improving the way the city operates and reducing its cost. As you may know, I am an engineer. That's where all the charisma comes from. So it is in my nature to try and make things work better. We recently undertook a sweeping review of the City's administrative structure.

Some results:

We centralized HR and IT...saved \$10 million over 2 years

We consolidated City/County I&R....saved money and made service better

I led the voter-approved effort in 2000 to change the City's charter so that bureau directors are now at-will employees, who can be removed if they don't perform their jobs. After all, these are our top managers. They should be judged by the quality of their performance, not their civil service status.

Those are some of the nuts and bolts I've been working on. But we've made progress on long-term investments as well. One accomplishment I am particularly proud of is in the work done by our Bureau of Environmental Services to address the fact that when it rains our 100 year old sewer system combines stormwater runoff with raw sewage and dumps it directly into the Willamette River. We are in the middle of a massive project to virtually eliminate these "combined sewer overflows", or CSOs, by the year 2011. The CSO project is the largest infrastructure project in Portland's history, with a price tag approaching \$1Billion when all is said and done. Before we began working on the CSO project, more than 10 Billion Gallons of sewage was discharged into the Willamette River and the Columbia Slough each year.10 Billion Gallons. We've taken a number of actions already to reduce CSOs.

One focus has been Prevention.

Keeping storm water out of the sewer system in the first place is good for ratepayers and good for the environment. Under Director Dean Marriot's strong leadership, Environmental Services has worked aggressively to encourage more than 30,000 people to disconnect their downspouts, keeping almost 600 million gallons of polluted runoff out of our river each year. We have also worked with Friends of Trees and other groups to plant trees and restore streamside habitats. A single mature tree intercepts 4,600 gallons of rainwater per year. These efforts not only protect our rivers, streams and watersheds they save money. We have also eliminated more than 99% of the sewage overflows into the Columbia Slough in 2000. Taken together, these actions have reduced CSOs into our rivers from more than 10 Billion gallons to about 3 Billion gallons a year.

But we're not standing still.

Next up - the Big Pipe on the West Side of the Willamette, soon to be under construction and due for completion in 2006. The Big Pipe, 14 feet in diameter, will run 100 feet beneath Naito Parkway before crossing underneath the Willamette's riverbed to a pump

station on Swan Island which is as deep as the Portland Building is tall - and about the same size. As you might imagine, this is an extremely challenging, project. It's completion, along with the future Eastside "Big Pipe", should eliminate almost 95% of all combined sewer overflows into the Willamette.I am particularly proud of the fact that we have set a new standard in this project for working with local, minority and women contractors. By working aggressively to include local contractors, and especially minority and women contractors, in the CSO project - we are making sure that the Big Pipe doesn't just pump stormwater and sewage, but pumps dollars directly into our community. That's a tremendous accomplishment, and it will provide a much-needed economic stimulus for Portland.

Another accomplishment with long term implications was my effort, along with Commissioner Sten, to create the City's Office of Sustainable Development in the fall of 2000. Its purpose is to establish more of a focal point for the notion that we should consider the impact that our actions today have on future generations. The office creates policies and programs that integrate and tie together efforts related to energy efficiency, renewable resources, waste reduction and recycling, global warming, green building and economic development. The mission is smart, saves money and builds a new economic sector that Portland can help lead internationally. I'm happy to report that in it's first year and a half the Office is off to a great start. Director Susan Anderson has assembled a terrific team.

The Office of Sustainable Development has already tackled projects including:

- 1)Increasing our impressive recycling rate to 54% the nation's highest- next up commercial food composting, so that your leftover pasta salad doesn't wind up in a landfill this could further boost the recycling rate by another 5-10%;
- 2)We've also made impressive gains in energy conservation that save the city almost a million dollars annually;
- 3)We have created a cutting edge green building program that was instrumental in facilitating such environmentally friendly projects as the Brewery Blocks and the Ecotrust building.

The green building program, in particular, has been a national and international trendsetter. Portland now has 18 buildings either built or under construction that meet the national green building standards...the most green buildings of any city in the world.

And we're just getting started!

As you may know, I've recently taken over management of the Water Bureau, and have had the pleasure of working with the Bureau's able new director Mort Anoushiravani. I haven't yet developed a detailed vision for the future, but will work hard to assure that Portland's water remains safe, clean and affordable.

Another area where we have begun to plant seeds, which will yield fruit down the line, is investing in kids. Perhaps no actions we can take will have a greater impact on Portland's future than how we treat our children. Two efforts I've been involved with are the creation of the Early Childhood Investment Fund and the funding of the Gateway Children's Center.

The voter approved Gateway Children's Center, located at 102d and East Burnside, is a partnership between the City, County, State, the Christie School and the Morrison Center. It's an innovative facility designed to help abused children. Its centerpiece is the Children's Receiving Center, a safe, home-like place for kids who are removed from abusive homes as they await a foster care placement. An abused or neglected child has enough trauma without having to spend hours in the back of a police car or at a caseworker's desk waiting for a foster family to take them in at 3 in the morning. The receiving center is set to open this October.

The Early Childhood Investment Fund was created by City Council in 2001 and directs resources into proven programs for our youngest citizens. This \$1 million annual fund has earmarked 30% of its resources to expanding relief nursery programs - which give parents at risk of abusing their kids access to respite care and parenting skills training. Relief nurseries are proven to dramatically reduce the incidence of child abuse. The remaining 70% of the fund's resources are directed towards making Head Start and Early Head Start available to kids who qualify, but are unable to get in because present funding serves only about half of the children who are eligible. Head Start and Early Head Start have been proven by research to make a real difference in the lives of children, and thanks to this fund almost 100 additional poor kids in Portland now have access to these great programs.

These first-term efforts have made a real difference and I'm very proud of them. And yet...all is not well here.

In just over a year Portland has fallen from economic powerhouse to having the highest unemployment rate in the country. Our landmark local companies are gobbled up by outside corporations. It seems we're being hit by an economic version of the perfect storm.

Long noted for it's sterling environmental reputation, Portland has endangered species listings for it's salmon, a superfund site on its harbor and as I mentioned before raw sewage dumping into its rivers.

Our public schools, long a source of civic pride face a mind-boggling set of problems. And as we have learned in recent years about the importance of early childhood development and after-school programs, we have been unable, due to a lack of funding, to transfer this new knowledge into action.

Earlier I talked about what kind of city we want Portland to be in the next 20 or 30 years. Well, this is not it.

To avoid a future defined by the problems I have described will take leadership and vision in many areas. But there are three that I am focussing on, and I want to talk briefly about them.

First, we need to continue to clean up the Willamette. A clean, accessible river, with a working harbor that supports thriving stocks of salmon can be the thread that stitches the East Side and West Side of Portland together. I will work with Environmental Services to make sure that the Combined Sewer Overflow project proceeds on time and on budget. I will work with the state and federal and tribal governments to make sure that our superfund site gets cleaned up and not bogged down in finger pointing and fruitless litigation. I will work with the rest of Council to assure that the Mayor's River Renaissance represents a fundamental transformation of Portland's relationship with the Willamette, and not just a clever slogan. As I suggested at the start of this speech, keeping Portland great will not just be a matter of blueprints and construction projects. We also need to think of our intellectual and human infrastructure.

The second major priority for the next four years is to tap local assets to make Portland the nation's leader in the emerging green economy. We're in a position to make use of an important comparative advantage - Portland already is perceived nationally and internationally as being on the cutting edge of the green economy. And we already have in place a fast growing nucleus of citizens and businesses committed to leadership in sustainable development. Now I know that some skeptics think that this is a lot of hot air. But we may be close to our first major success: the new North American headquarters and factory scheduled to be built by Vestas, the world's leading producer of wind energy turbines. Not only will Vestas bring a much sought after corporate headquarters to Portland, it will also bring more than 1,000 family wage blue collar jobs.

Here are two other tangible examples of how we can transition to a green economy:

- 1) Portland's development of new urban neighborhoods, like North Macadam, and redevelopment of brownfields like the McCormick and Baxter site by the University of Portland, offer the ideal venue for implementing the most far ranging green building and development techniques to date in America. Through the use of "green-roofs", "green streets" "bio-swales" and other emerging environmentally friendly building techniques, Portland can be an international showcase for sustainability. I love green roofs. They keep storm water out of our rivers and reduce energy use. Their widespread adoption here may help attract one of the large European manufacturers of green-roofs to set up shop in Portland. After all, Oregon is the nursery stock capital of the world and plants are the fundamental stuff of a green-roof.
- 2) An even greater payoff may come from our efforts to establish Portland as a center for solar energy production. Perhaps the most exciting promise is the opportunity to turn Portland into a manufacturing center for solar electric cells, also known as photovoltaics, which convert sunlight directly into electricity. Portland has all the right ingredients to make this happen, including plentiful clean water, reasonable power costs and access to

major markets. Solar electric cells also rely on the same raw material as silicon chips, something this region is one of the world's leading producers of - in fact, within a 45 mile radius of downtown Portland lies 45% of America's silicon wafer production capacity. Even better, current technology to produce solar electric cells actually uses the waste products from silicon chip production. That's a true win-win. A new, clean industry that makes use of the waste products from one of our biggest current industries. And the future is even brighter. The market for solar electric cells is already growing fast - 30% annually as compared with 5% growth for silicon chips. And new thin film deposition technology promises to dramatically decrease the cost of solar electric cell production, which will ignite its growth. Again, Oregon is already at the cutting edge of this research. Just last week 2 researchers at Oregon State announced a breakthrough in thin film production that could lead to dramatic cost reductions for solar cells.

Another effort that can spur Oregon's ascent to solar leadership, which I'm involved in, is the creation of a Center for Solar Excellence at Portland State. Such a center would attract world class solar energy research to Portland, an essential ingredient manufacturers consider in locating facilities here. Besides, you have to love the idea of Portland prospering in a "sunshine based" industry! Portland Development Commission has identified sustainable industries as one of the potential target industry sectors for our future. My office, along with Commissioner Sten and Mayor Katz, are working with PDC to make sure that this approach gets the attention it is due.

Finally, I want to talk about something I believe can have the most profound, long-lasting impact on Portland's future: The Portland Children's Initiative. Simply put, it asks us to make children a higher priority. And it does so in a way that is smart, effective and will help define what we want Portland to be. The Portland Children's Initiative was referred by City Council to the November ballot. The Initiative creates a children's investment fund of \$10 million a year for five years. It will invest only in cost-effective, proven programs in 3 areas to help children succeed:

- 1) Early childhood development
- 2) After school and mentoring programs
- 3) Prevention of child abuse and neglect

The best part about it is no new bureaucracy is created. No city office of children. 95% of the money goes straight to expanding services that have a proven track record so they can reach more kids. Administrative costs are limited to less than 5%. That's written into the law. The fund will be professionally managed and audited annually. There will be a citizen's oversight committee. Investments will be coordinated with other service providers to avoid duplication and backfilling.

Now, \$10 million/yr. is a lot of money, but it can't do everything. These three areas of investment were chosen because:

1) The need is great

- 2) Research shows that investments in these areas can make a real difference in the lives of children and families,
- 3) They make a major contribution to City's core mission

It's a well-worn cliché that our children are our future...indeed, if I had a dollar for every time a politician said that we could practically fund this initiative. Despite the rhetoric, far too many of our children are not getting the support they need to thrive. A few snapshots tell the story:

40% of the children in Portland are living under, or very near, the poverty line

More than 40% of our 8th graders are not at grade level for reading...even fewer for math

Portland's Police Bureau receives 14 reported cases of child abuse per day, the true figure is far worse because most cases go unreported. But statistics can't tell you the full story. To really understand the situation you need to speak with people and hear about their lives. Late last year, when the city was considering the creation of the Early Childhood Investment Fund, I met a number of young people who had been through Head Start and their stories moved me deeply. These are kids who grew up with very little support...most had absent fathers and mothers who had not graduated from high school, many were living with the kind of poverty that makes hunger a daily concern and each one credited the support they got in Head Start as being the key to their success. These are kids who arrived at kindergarten ready to learn, and whose lives have been transformed as a result. And if enough kids' lives are transformed, so is our future.

The Children's Initiative fits squarely within the City's core mission. These investments will make a major contribution to maintaining public safety, promoting a robust economy and keeping families with children in our city:

Investing in children improves Public Safety:

- 1)Child abuse is a public safety issue and preventing it makes us safer. It's sad, but true, that victims often become victimizers, alcohol and drug abusers and homeless youth.
- 2)After-school and mentoring programs have proven public safety benefits. The hours between 3-6 have highest rate of juvenile crime, giving kids a safe place to be protects them from being victims or getting into trouble.
- 3)The Citizens Crime Commission concluded that targeted investments in proven early childhood programs are the most cost-effective way to reduce crime in the long run.

Investing in our children also contributes to a robust economy:

- 1)The Children's Initiative will improve the academic success of children
- 2) Failure to invest in our kids means that our other economic development strategies even if successful will often create jobs that Portlanders aren't qualified to fill.

Investing in Children makes Portland better for families with kids:

- 1)After school programs not only boost the academic success of kids, they also provide a major benefit to parents of school age children:
- 2)For a parent, knowing that you can drop your children off in the morning and not have to worry about them until the end of the workday provides a tremendous sense of security.
- 3)Better employees, less absenteeism, better employer
- 4)Increase in single parent families, this is especially important Based on the experience of other cities that have passed Children's Initiatives, such as San Francisco and Seattle, we know that it works. In San Francisco, since the passage of the Children's Initiative: reports of Child Abuse and Neglect have decreased 25%; high school completion has increased by 11%; juvenile felony arrests are down 24%; and, the foster care population has decreased 19%.

We have also learned from those cities that these public dollars can leverage significant additional investments in 2 ways: First, local foundations can be enlisted to match these investments. Seattle's children's fund is matched dollar for dollar by local foundations. We hope to do the same here. Second, we know from our own experience that this money can count as the local match for additional federal investments, an example is that the Early Head Start Family Center is using the \$100K they received from the City to leverage \$700K in new Federal funding (7-1 federal match).

To sum up:

The Children's Initiative is a wise use of taxpayer dollars:

- 1)It makes children a higher priority.
- 2)It helps us leverage additional resources to advance the city's core mission.
- 3)And investments in prevention save money in the long run

This is the sort of investment that will pay off for future generations. And by happy coincidence, tomorrow, July 20th at noon, we are having our campaign kick-off event at Columbia Park in North Portland. You're all invited to come out and learn about the Portland Children's Initiative and how you can help make it a reality.

So, in conclusion if we pursue the types of actions I've just mentioned: if we clean up our river, develop an economy whose prosperity is sustainable, and invest in our children,

then perhaps future generations will hold us in as high regard as we rightly do the visionary leaders who came before us.

And now for that surprise announcement about my political future that I promised you earlier:

I'm not running for Mayor in 2004. Hey, somebody's got to hold down the fort. Seriously, I love my job. I am very grateful that you have renewed my contract for another four years.

Thank you.