

STATE OF THE CITY, 2004

***“Getting Things Done”***

Dan Coody, Mayor

February 17, 2004

The year 2003 was another very busy year for Fayetteville. We accomplished many high-priority projects and began others, further increased productivity and efficiency, and improved service to our citizens. We have resolved several outstanding issues, addressed the immediate needs of the present, and focused on what we want to become, and where we need to improve in the future.

We have made progress with a commitment to quality and balance. We have improved many development processes, and we are seeing better, more innovative projects that enhance our built environment. We are working with our business and development community to help their projects become more profitable and more attractive. At the same time we have secured over 250 acres of land with significant features and important view sheds to protect our natural environment for future generations. We are strengthening our economic health by using the energy of growth to enhance Fayetteville's livability.

We are achieving unprecedented productivity while our sales tax revenue grows at only 3% and our employee base grows at half the rate of the population. We have been able to increase efficiency to this extent for two reasons. The first is new management that adheres to the philosophy that the citizens of Fayetteville deserve swift action, respect, and fiscal responsibility. The second is the organizational restructuring we put in place a year ago. We combined related departments, built new working groups, and recognized the necessity for government to operate as a cohesive team.

I would like to share with you some of the successes in our more high-profile departments, followed by a discussion of our tax structure, our local and regional economy, the General Fund balance, Fayetteville's role in the state, recognition of Fayetteville by national, state, and local organizations, and our prospects for 2004 and beyond.

### **Program Improvements by Department**

- Library
- Parks
- Transportation
- Fleet
- Planning, Engineering, and Code Compliance
- Fire
- Police
- Water and Wastewater
- Solid Waste
- Airport
- City Attorney's Office

**The Fayetteville Public Library** continues to see sharp increases in the number of visitors, cardholders, program attendees, and in circulation. The opening of the new Fayetteville Public Library this fall will be an enormous event for our city. Our new library is the first "Leading Energy Efficient Design" certified building in the state.



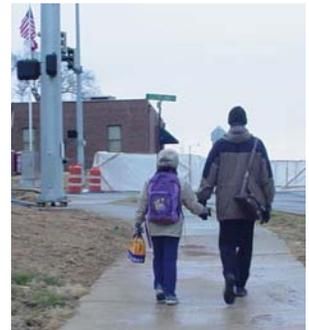
**The Parks Department** has also had a very busy year.

- Parks staff reviewed 345 plats, received over \$405,000 in parkland dedication fees and acquired 54 acres of new park land.
- The parks system was awarded over \$71,000 in grants from the state Highway and Transportation Department and Urban Forestry Commission.
- The Forestry grant helped us distribute and plant over 1,700 trees.
- We opened the Fayetteville Senior Center at Walker Park and it has been embraced warmly as a great place to visit, exercise, eat, and take classes.
- The spectacular Fayetteville Boys and Girls Club opened and has been an enormous success. All the partners that helped make this facility possible are very pleased with the outcome.
- We opened the Grinder's Skate Park, the largest and best park of its kind in the state.
- In conjunction with the University of Arkansas, the Bryce Davis Wetlands Observation Deck opened with the honoring of the father and family of Alderman Bob Davis. We had ribbon-cuttings for several major park improvements at Bundrick Park, Bayarri Park, Walker Park North, and Veteran's Park.
- The Alternative Transportation and Trail Master Plan was completed and adopted.
- When the West Mud Creek Trail construction bid came in at \$1.1 million, we canceled the years-old contract with the outside engineer and redesigned it in-house. The new bid came in at about \$400,000. The \$700,000 savings will be used to build other trails in the area. West Mud Creek Trail and the Walker Park Trail are under construction. Center/Prairie Trail will be underway this spring.
- Working with a private owner we secured almost 40 acres of Clabber Creek and trail corridor at no cost to the taxpayers.
- Thanks to the Tree and Trails Task Force we acquired the wooded 22 acre "Gateway" property helping preserve the visual beauty of Fayetteville as drivers on I-540 approach from the south.
- With help from the Fayetteville Natural Heritage Association, we were able to acquire and protect the famed Mt. Sequoyah woods. This important purchase demonstrates what is possible when the community and its leadership work together toward a common goal.



**The Transportation Department** has had a remarkable year also, thanks to new management and our reorganization.

- Working toward a "clean and green" Fayetteville, we initiated an anti-litter program and collected 58 tons of litter from roadsides and public areas, but we still have a very long way to go.
- In an effort to improve the appearance of our city we trimmed and mowed over 1,500 miles of right-of-way.
- We saw a 24% improvement in the street overlay program increasing paving from 8.9 miles in 2002, to over 11 miles in 2003. With new paving equipment and better training, we also saw a marked increase in the quality of workmanship, equipment care, and maintenance.
- We had a dramatic increase in sidewalk construction. Focusing on the routes of school children, we increased productivity from 3,174 linear feet of new and repaired sidewalk in 2002 to 14,218 feet in 2003, a whopping 348% increase. This year we expect to build 20,000 linear feet of new and repaired sidewalk.



**The Fleet Division** has seen improvements in both city-wide service and internal management.

- To sell obsolete equipment, we converted from sealed bids to a professional public auction process resulting in an increase from ten bidders in 2002 to more than two hundred bidders in 2003, and an average equipment sale price increase of 57%.
- We received \$268,000 from one sale and reduced staff time by 50%.
- Despite an aging fleet, our repair backlog was reduced significantly, resulting in much better equipment availability.
- We have standardized specification and bidding processes and increased use of standing state government contracts to save time and money in our fleet program.



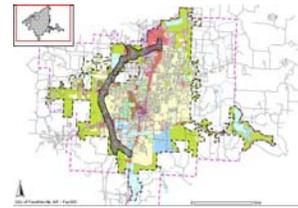
**The Planning and Engineering Services Department** continues to perform under increasing pressure. In 2003, we broke all previous records for building activity in Fayetteville.

- In my opinion, the most important project undertaken by this administration and planning staff was initiating the Downtown Master Plan process. The firm of Dover, Kohl



and Associates did an outstanding job of giving form to our future. And just as I knew would happen, Fayetteville impressed Dover/Kohl as much as they impressed us. Here are some reasons that planning for our future is crucial for Fayetteville.

- We almost doubled the number of new dwelling units approved this year with an increase from 1,039 new units in 2002 to 1,870 units in 2003.
- We set a new record with 611 Single Family Homes (an increase of 156% over 2002).
- We added 124 new apartment buildings and 31 new commercial buildings.
- We issued 8,500 construction permits (a 30% increase over 2002), and added over \$300 million of public and private building value to Fayetteville.
- After decades of struggling with an outdated zoning map, we officially adopted an up-to-date, accurate zoning map.
- We amended our Code to give code enforcement officers citation authority and cut red tape to solve long-standing problems in our city.
- We developed and implemented impact fees for water and wastewater so growth can begin to help pay for itself.
- We completed Ruppel Road south to the Boys and Girls Club, as well as Cleveland Street improvements.
- Completion of Dickson Street improvements was welcomed by all, especially Ron Petrie in Engineering and the Dickson Street merchants.
- The improvements on Old Missouri Road and Sang/Hollywood are scheduled for completion in the next two months.
- We designed in-house and bid out improvements to Broyles road.



**Code Compliance and Raze and Remove** efforts are paying off.

- We have begun moving aggressively to improve blighted areas. Pictured here are some of the examples of the buildings that we have had removed to safeguard and clean up our City. While none of us like having to make people remove dangerous, dilapidated, and unsightly buildings, we know that it is important to the community to do so.



- Our Compliance Program received almost 1,300 requests for code enforcement assistance in 2003 and successfully resolved more than 90% of the complaints.

**Our Fire Department** continues to improve its operations.

- The new Comprehensive Apparatus Replacement Program allows the department to maintain an up-to-date, uniform fleet while saving money. We have added good business principles in the improvement of our fire safety program by financing the equipment at 2.7% interest while collecting 4.5% interest on the City's investments.
- We will be adding the first new additional station to the system in 27 years and we are phasing in 12 new fire fighters to man the new station within the existing 2004 budget. While the west side station # 7 is under construction, we will start the evaluation process for locating the next station on the east side.
- We received a \$132,000 Fire Act grant to enhance fire fighter health and safety.



**Our Police Department** is the most progressive and highly respected in the state. As our reputation grows, we are seeing more highly qualified candidates apply for positions in the department.

- We established a Problem Oriented Policing unit that works with neighborhood organizations and other citizens to solve problems early on.
- The department has taken a lead role in our in a multi-faceted approach to litter enforcement.
- We began using the new paperless automated case entry system that allows officers to file reports from the field, saving time and increasing police presence in key areas.
- We have organized an employee-driven awards and recognition program.
- We have graduated officers from the FBI National Academy and the state School of Law Enforcement Supervision.
- Two officers, Sgt. Tim Franklin and Officer Travis Lee, received state-wide recognition for outstanding performance.
- And, very importantly, we used a Federal grant to help install Mobile Video Recording units in our patrol cars, making sure that all interactions with the public are recorded for everyone's benefit.



**Our Water and Wastewater Department** is also making significant strides.

- The new Water and Wastewater Operations Center due for completion this fall will replace the inadequate facility at Razorback and Cato Springs Road and free up about 20 acres for more appropriate redevelopment near the new Research and Technology Park.
- For environmental reasons, we have ceased applying sludge to the land at the Noland Wastewater plant. The cessation was scheduled for 2006 but we enacted it in 2003 to protect the quality of the White River.
- We have prioritized and accelerated the \$1.5 million Water Main Replacement Program to more quickly repair our deteriorating water supply infrastructure. Because of our aging water system and corrosive soils, we had been seeing steady increases in lost water percentages. With our accelerated repair program we began to see improvements in 2003. In 2002 we saw a 22.6% loss, in 2003 we reduced losses to 19.5% and we expect further reductions.
- We awarded a \$933,000 contract to continue the rehabilitation of our aging sewer lines to reduce wet weather infiltration and sewer overflows.
- In 2003 the department repaired 696 water line leaks, cleaned 162 miles of sanitary sewer lines and built 10,461 feet of new water and sewer mains.
- Our new wastewater treatment system is moving along. We will approve 12 contracts with a value of \$66 million this year. The new plant is due to be complete in the fall of 2006.
- By rethinking our plans for construction of Broyles Road to access our new wastewater treatment plant and coordinating with private developers we should save about \$1.4 million.
- We concluded the Facilities Planning phase which revealed the possibility of a \$3.2 million savings by eliminating an outfall line.
- Working with our Washington, D.C. delegation, we secured almost \$1.1 million in EPA funds for our sewer rehab work.
- Between rethinking the Broyles Road plan, re-examining the outfall line plan, and acquiring Federal appropriations, we should see a \$5.7 million benefit to Fayetteville's taxpayers. We will continue to look for ways to accomplish our goals and save money at the same time.



**The Solid Waste Department** has expanded its service to customers and increased its productivity.

- The most significant action was the conversion to the Pay-As-You-Throw Automated Cart program.



- New management and improved morale has dramatically reduced our employee turnover rate from an incredible 93% in 1999 to 8% in 2003. This fact, combined with our new safety program, has reduced accidents in both number and severity.
- We conducted 14 Ward and Creek Clean-ups collecting 911 tons of waste and recycling 113 tons of scrap metal.
- Updating the Curb-The-Clutter program, we added nine new participating groups and collected over 25 tons of trash from city streets.
- We collected 11,400 tons of waste in our residential program and 4,907 tons of recyclable material.
- We collected 27,500 tons of commercial waste. Our drop box program revenue grew from \$113,000 in 2002 to \$211,000 in 2003, an increase of 63%.
- Our composting program was expanded and improved. With our subscription-free paper bag program in place we are handling much more green waste. Using new screening equipment we now remove foreign material and produce a finer, much more consistent product. Our compost is certified by the Rodale Organic Gardening Institute.



**Fayetteville's Municipal Airport** continues to take off.

- For the last three years our operations and fuel sales have grown steadily as these graphs show.
- We have added new hangars for commercial and private use, and we have waiting lists for more space.
- We saw the groundbreaking of the U.S. Forest Service tanker base.
- The very successful Airfest of 2003 brought record numbers of visitors to the airport and air museum and we opened the military museum.



**Our City Attorney's Office** continues to successfully defend the City when necessary.

- The City of Fayetteville suffered no civil litigation defeats and has not had to pay anything to settle any litigation in 2002 or 2003.

Now I want to discuss our city's regional status as it relates to our tax structure, the local economy, and our general fund balance.

### **Fayetteville's Tax Structure**

Looking at the tax structure for Fayetteville, here are some important facts to remember. In 2001 we lowered our sales tax rate from 2% to 1.75%. The other cities of NWA collect 2%. Our property tax rate is 1.8 mils, all going to fire and police pensions and library with none to city operations. The next lowest property tax rate is 4.8 mils collected by Rogers. These rates make Fayetteville's general tax burden (except for restaurants) the lowest of any city in Northwest Arkansas. We have had fair growth in our city sales tax revenue, but our expenses have grown due to the higher costs of things such as materials and insurance and our efforts to provide our employees with competitive wages and benefits.

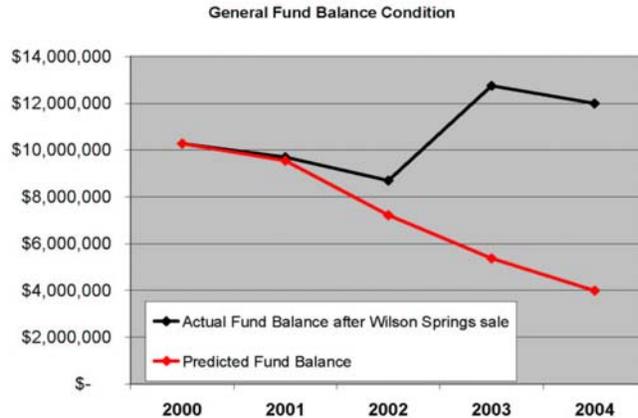
In light of the fact Fayetteville has the lowest general tax burden, it is gratifying to see increased productivity, improved citizen services, better responsiveness, improved employee morale and workmanship. While most local and state governments are facing financial crises because of rising costs and tightening revenue, Fayetteville is doing better than projected.

### **Local and Regional Economy**

The last few years were difficult economic times for our state and our nation. Northwest Arkansas, on the other hand, has seen steady growth because of the phenomenal success of the world's largest companies in their fields, J.B. Hunt, Tyson Foods, and Wal-Mart, all headquartered in our sister cities to the north. The economic impact of these companies and the relocation of the Regional Airport to Benton County in 1999 has positioned our neighbors to have a serious impact on our sales tax base. Until the late 1990's, Northwest Arkansas shopped in Fayetteville. The citizens of Fayetteville were subsidized by out of town shoppers pouring revenue into our general fund. This allowed Fayetteville to rely on sales tax to fund our operations and needed improvements. With the coming of age of our sister cities and the increase of shopping opportunities available there, we are losing that advantage. It is imperative that we strengthen our economic foundation.

If we are going to hold our own in the marketplace with the other cities in Northwest Arkansas, especially when they all collect higher general sales and property taxes than Fayetteville collects, then we must be more entrepreneurial in our thinking about how we do the public's business. If we are to compete, we need to apply sound, basic business principles for the benefit of our citizens whenever we can. But again, it is vitally important to have balance in our progress. Every financial decision we make must be measured by its effect on Fayetteville's quality of life, which is our most important asset.

## Our General Fund Balance



Now for the bottom line. In 2001 we charted a course to achieve a “good-government” rule-of-thumb fund balance of about 20% of the annual general fund expenses, or about \$4 million. In 2002 the Council made a formal budget policy decision to maintain this balance.

Because of very good financial management, at the end of 2004 we would have had \$5.7 million in the general fund, not just \$4 million. But with an increase of revenue of \$650,000, operational savings of \$800,000, and the proceeds from the sale of Wilson Springs at \$5.2 million, we should see a fund balance at the end of 2004 of about \$12.3 million instead of the \$4 million we anticipated January 2001.

With good asset management and an entrepreneurial approach to the city’s business, we will continue to see increased productivity, solid economic growth, and enhanced quality of life for Fayetteville.

## Fayetteville's Role in the State

It is important to note that we are working not only within our borders to improve our place in the world. Fayetteville is helping influence state issues that directly affect us as well as other Arkansas cities.

We played an important role in resolving the decades-old dispute between Arkansas and Oklahoma concerning point and non-point source effluent standards. Our efforts resulted in an agreement that kept the two states from returning to federal court thereby avoiding serious complications with our permitting process for our new wastewater system project.



We initiated discussions with the Arkansas Municipal League, state agencies, and state-wide, non-profit organizations, and introduced legislation to reduce litter on our highways and roadsides, making our city and the entire state more appealing. Our efforts have led to the organization of a group appointed by the Director of the Arkansas Highway and Transportation Department, Dan Flowers, consisting of several state agencies with one city, Fayetteville, at the table representing all the major cities of Northwest Arkansas.

We sponsored new legislation that allows Arkansas cities to take advantage of the Design/Build/Operate concept for major infrastructure facilities. It was too late for Fayetteville to be able to use the program, but other Arkansas cities and regions will be able to save significant time and money on their most expensive projects.

### **National, State, and Local Recognition**

Fayetteville was recognized with many state and national awards in 2003, such as:

- The Milken Institute recognition of the Fayetteville MSA as the best place in the United States for career and job growth.
- Sports Illustrated "Top Sports Town" in Arkansas for our parks programs.
- The U.S. Specialty Sports Association's "Top Sports Complex" award for a six state region.
- The American Cancer Society "Community of Excellence" award.
- The Arkansas Business Journal recognized our AccessFayetteville site as the "Best Government and Politics Web Site" in the state.
- AARP crowned us the 5th best place in the U.S. to re-invent your life.
- Fayetteville was recognized as one of "America's Most Livable Cities" by the Partners for Livable Communities.
- We received the "Government Recycler of the Year" award from the Arkansas Recycling Coalition.
- The Fayetteville Natural Heritage Association honored us their first "Golden Acorn" award for preserving unique and threatened woodlands for future generations.
- Fayetteville Public Library was given the Altrusa International Environmental Award for the new Blair Library building

### **This Year's Prospects**

This year will bring significant improvements to our community.

- The opening of the new Public Library will be a once-in-a-lifetime event for Fayetteville, adding to the city's profile in many ways.



- We will be inspired by the Dover/Kohl Downtown Master Plan when they return with a completed urban design program. This citizen-driven plan will guide our growth and help Fayetteville achieve outstanding economic and quality of life success. With a plan for development as a livable, pedestrian-friendly community, we can use the free market, the increasing momentum of high-quality growth, and our community's vitality to help us achieve our enormous potential.



- The opening of the Innovations Center and additions to the Genesis campus will improve our viability in our quest to form a technology and research center for Arkansas.
- The additions of the Springwoods and Southern View mixed-use developments, a stadium-seating theatre, and an Audubon Nature Center will be examples of the improvements we look forward to.



- The expansion and construction programs of the university will help drive our economy and elevate our status as a great university city.

As we continue to accomplish our goals, we need to look for ways to do better. I will touch on some points we need to consider this year.

To enhance our quality of life and stimulate our local economy, we need to look into an effective, self-funding events and cultural tourism program for Fayetteville. While we have the Advertising and Promotion Commission, the Convention and Visitor's Bureau, the University of Arkansas, the Chamber of Commerce, Downtown/Dickson Enhancement group, the City of Fayetteville, the Center for Continuing Education, and community volunteers all putting out various levels of effort, real success remains elusive. We need to focus aggressively on our development as the weekend destination that we should be, adding to the revenues of our local

businesses and providing entertainment opportunities for our citizens that are unavailable today.

In 2004 we will be able to focus more on affordable housing. Too much of our housing market is priced out of reach for many of our residents. Our city has taken the lead in sponsoring the Fayetteville Attainable Housing Partnership. Representatives from all interested parties have been attending organizational meetings and we look forward to bringing a comprehensive program forward this year.

One crucial need is improved access into our commercial business center, CMN Business Park. While existing businesses are doing well and new businesses are on the way, we need to solve this long-standing problem. We must remove impediments to traffic flow into and through this district that is so important to our economic base. We have asked our Federal delegation and the Arkansas Highway Department for assistance in this area.

Another issue we must address is our need for a large, multi-use community park. We have scattered, heavily-used sports fields for our softball, baseball, and soccer programs but we need a park that will provide a central location for many activities at once, including appropriate outdoor music events. A major sports complex would serve our community very well and become an important economic tool. For example, over a four day period the Snickers Soccer competition brought an estimated \$8 million to North Little Rock. We are investigating a location on the south side of town. The purchase and development of such a park becomes much more realistic when considering the benefits of a public-private partnership.

We have to consider refurbishing the Fayetteville Square. The years have taken their toll and our city's crown jewel needs a plan for repair. This year we will see much-needed improvements to parts of College Avenue with anticipation of more improvements to come.

## **Our Future**

We are just now seeing the benefits of the changes we have made in Fayetteville's government. We will continue implementing improvements to provide superior municipal services for our citizens. This would not be possible without our excellent staff and the involvement of each member of the City Council. The year 2003 has been the best year yet for getting a lot of work done on behalf of our citizens. 2004 looks even better.

The more thoughtful we are in our dialogue, the more balance we use in our approach, the more creatively we address our challenges, the better the city we will build. I look forward with enthusiasm to the year at hand and working with everyone to make Fayetteville the best city it can be.