

# STATE OF THE CITY 2010

January 26, 2010

Mayor Tab Townsell

Tonight, as I give this State of the City address, you are going to get something a little more. January 1, 2010 marked the beginning of my twelfth year in office. It also marked the end of the first decade of this century.

## **Vital Statistics:**

Any measure of Conway's health should start with its vital statistics. Most vital of all is public safety, public sanitation, the local economy and the city budget for local public services. We'll start with Police.

## **The Police Department:**

The crime statistics are our primary measure of public safety in regard to policing. As a growing city that is attracting more and more attention - attention both good and bad - the city has trended to slightly higher crime rates this past decade. For this reason, the city grew its police force seventeen sworn officers in the three years ending in 2009, but, because of the economic conditions, was not been able to add additional officers in the 2010 budget year. The crime statistics are broken down into violent crime and property crime categories.

In 2009 violent crime in Conway was up 15% with 239 occurrences versus 208 the year before. There were two murders in Conway in 2009 and none listed in Conway's statistics last year. I will remind everyone, however, that there were two murders in Conway in 2008. Because single crimes can only be listed in one jurisdiction, UCA's police department's statistics reflect those murders and not the City of Conway's even though we still consider that a violation of our city's public safety. Rape dropped from 29 occurrences to 24 occurrences down 17% and robberies dropped from 61 reported to 59 reported. The biggest change was in aggravated assaults which went up 31% from 118 reported cases to 154.

This last statistic may partially be accounted for by a police department policy change in regard to reporting domestic battery. By law, police officers may arrest a domestic battery suspect any time within 12 hours of the report without the need for an arrest warrant. After twelve hours an arrest warrant must be issued for the police to arrest the suspect. However, in practice, many victims do not wish to pursue charges after the initial incident is over. Because the department feels that regardless of the victim's change of heart, the perpetrator of domestic battery is still a menace to public safety particularly to the victim; it is now police policy that their arrest and prosecution should still be pursued. Yes, getting a conviction is tougher without a cooperative witness, but the stakes are high and it is the city's desire to address the violence before it becomes an even worse crime statistic. Because of this change of policy officers are filing reports and swearing out warrants for suspects that previously weren't being filed by reluctant witnesses in previous years. At least in part, the rise in aggravated assaults can be attributed to this cause, although domestic battery, particularly male against female, is dark, shameful problem in America today and Conway is not immune to it.

Property crimes were down in Conway last years with 2,560 reported incidences versus 2,951 in 2008. Burglaries were up 8% with 451 incidents but thefts were down 17% to only 1,980 reported cases and auto theft and arson were down as well.

Another yardstick of police staffing levels beyond crime statistics, is calls for service. The Police Department answered 10% more calls for service in 2009 compared to the previous year – 54,000 to 49,000. Further, it arrested 3% more adults in 2009 with 3,836 but 25% fewer juveniles with 290 arrests. The PD worked 8% more accidents with 3,329 and saw a 16% decrease in DWIs.

Another major change in the department was moving the Patrol Division to twelve hour shifts. This change meant a substantial increase of manpower available at any given time which means more officers on the street. It also meant that our senior officers are spread more evenly over the entire schedule rather working mid week with every weekend off.

This change also allowed the department to start geographical policing where officers are assigned designated regions of the city in which they are to stay unless they are needed for emergency purposes elsewhere. The officers assigned to a region are tasked with reviewing the crime statistics for their region, making themselves known to the residents and businesses inside their regions, and briefing the incoming officer at shift change on what has transpired in their region in the past twelve hours. Hopefully, this will added presence and geographical emphasis combined with crime statistics will help crimes of opportunity across the city.

### **The Fire Department:**

Fire runs increased in Conway 7% from 4,904 to 5,239 corresponding with police statistics that show a growing, more active city. As always, over 80% of the runs were for non-fire purposes and the vast majority of these were medical runs. Even though Conway enjoys a wonderful emergency medical service in MEMS, because of the dispersal of fire stations and equipment around town, frequently Conway Fire Department personnel are the first medical assistance to arrive on the scene. In regard to life safety, our fire department personnel are as highly trained as any in the state. The department put in 26,690 training hours in 2009.

Fire losses in the city jumped dramatically in 2009 from \$780,090 in 2008 to \$2,116,025 an increase of 171%. By far, most of the property losses were residential. Fire experts will tell you that in bad economic times an increase in fires and fire damages will occur as will a higher incident of arson. However, bad economic times and lower personal incomes also lead to ill advised and dangerous steps to keep warm or cook food or heat water. Tragically, fire people lost their lives to fire this last year in Conway including a devastating pre Christmas fire that claimed the lives of a mother and her three small children.

Still we try to educate our citizens and inspect our properties to aid in preventing loss of life or property. Our fire marshal's office gave 260 lectures on fire safety, gave 196 training session on use of fire extinguishers. Fire inspections went up from 3,569 in 2008 to 4,808 last year. The department through station tours, fire house tours, videos, coloring books, etc. had almost 1,000 more teaching opportunities for children with 37,492 "touches" in 2009.

Through new hires and vehicle retirement, the fire department changed to three personnel to a truck in 2009 putting more personnel on the fire ground with fewer responding trucks for quicker response and greater safety. This has been a policy change that the city has long wished to implement.

**The Sanitation Department:**

The sanitation department placed 69,822 tons of material in the landfill in 2009 up almost 7% from 2008 again reflecting the same approximate growth trend seen in other city departments. Recycling was down about 8% for the year with only about 10,000 tons processed rather than 10,900 tons as the two preceding years processed.

For yet another year, the life expectancy of the landfill in its current configuration is seventeen years. The life expectancy has remained at seventeen years for the past few years because of the city's increased efforts at encouraging recycling, keeping yard waste out of the landfill, and the use of alternate daily cover.

The landfill is obviously a major asset of the city and having it means that the city can continue to provide low cost sanitation services to our citizens. To protect the life of this asset, the sanitation department is actively pursuing an increase to authorized capacity for the landfill through ADEQ and it is actively emphasizing recycling through a variety of measures. 74 recycling education events were held in 2009 for over 9,000 people. An additional 2,800 containers were set out for residences and businesses. A Reuse Center was constructed soon to open which will give people the option of not throwing an item into the landfill if it could be conveniently offered to someone else to purchase. We expect to open the Reuse Center in 2010. A separate facility is being prepared to handle household hazardous waste which currently is allowed to be disposed of into the landfill. Items such as paint, insecticides, and fluorescent light bulbs would be examples of items which could be disposed of in this way rather than into the landfill.

An Automated Recycling Sorter was purchased in 2009 for installation and operation in 2010. The first of its kind in Arkansas, this sorter will relieve the sanitation department of its chronic man power shortages in the recycling department due to turn over and unreliable staffing options. However, the real benefit to the operation will be the ability to increase by a factor of ten the amount of recycling material that can be processed. This added capacity will not only help keep our recycling out of the landfill but greatly expanding the department's revenue stream by taking other people's recycling and selling it for a profit.

**The Economy:**

The best measure of Conway local retail economy is sales tax revenue. Sales tax revenue in Conway for 2009 was down 1.2% from 2008 or just under \$200,000. In 2009 Conway had as many months up in collections as down but had two months, May and October, when collections were down over 10% for the month. When sales tax collections make up 60% of city General Fund revenues there are dramatic ramifications through the city's primary budget account as I will get to below.

Compared to other Arkansas cities, Conway is almost exactly in the middle in regard to sales tax performance compared to last year. However, in regard to the larger cities, only Benton had a better record last year being up 3%. Most other large cities have experienced far steeper deeper declines. Bentonville and North Little Rock are down 13% and 10% respectively. Little Rock, Fayetteville, Fort Smith, Springdale, Rogers are all down in the five to eight percent range

This marks only the second time in Conway's almost thirty year sales tax history it has been down, but it also is the second time this past decade it has been down. It is notable that with the advent of Conway as a larger retail market drawing in shoppers from a bigger area, it seems Conway has also become more at risk of greater fluctuations in sales tax collections. With more shoppers shopping Conway from out of town, more will be willing to shop their own home towns or stop shopping altogether when the economy slows. This tendency magnifies the economy's effects on local sales tax collections.

The restaurant industry continued its expansion in Conway being ahead of last year by almost four percent. This growth is on top of nine percent growth in 2008 and eight percent growth in 2007. While a number of restaurants closed in 2009, the entire restaurant industry grew in Conway. The restaurant industry has no doubt been hit by the economy but obviously it is still growing to fill the dining void that had been artificially created in recent years. Nonetheless, even after the end of the current recessionary times, the restaurant market in Conway is maturing and years of huge annual increases in A & P tax receipts are probably a thing of the past.

The national home building industry whose fall help precipitate the current economy has also affected Conway's building industry. However, the Conway building industry, while hit hard, has continued to show activity. The litmus test for building activity in Conway has been the number of single family building permits issued in a given year. Last year was the low point for single family building permits for at least two decades. However, last year's 189 permits is higher than many cities and evidence that Conway's building industry is stronger than many. In 2009, single family building permits rose to 261 up 72 permits from the previous year. While healthier, the total is still below the ten year average of 400 units annually and barely half of the city's peak years when 500 permits were being issued each year. The continued activity and the up tick in units permitted show Conway and its economy is still growing.

Other building industry details include a surge in multi-family, apartments units under construction the past two years including 900 units at the new Greens at Nutter's Chapel. Total permits were down but the value of those permits rose \$10 million from \$135 million to \$145 million this past year. And remember UCA doesn't get building permits so the full value of the investment in building activities in Conway is not shown by these numbers; it is greater. Street impact fees came in well below average at \$467, 230 as opposed to an average of around \$1.1 million but the annual total did not include \$730, 000 pre-paid impact fees which went to the widening and improvement of South Salem Road. Park impact fees were actually above average at \$415,000.

What do these Vital Economic statistics do to the city's budget. First, the 2010 Budget is based on less sales tax revenue than was received in the 2008 and represents the second year in a row the city has had to tighten its budgetary belt.

The 2009 budget planned for potential problems. While 2008 sales tax revenue was up 4% over the 2007 even during the face of the economic meltdown, the city felt it couldn't continue to assume nothing would happen to the local economy that would have budgetary effects. While 2009 revenue was projected to increase 4% - the second lowest rise in city's history - \$300,000 in projected revenue was set aside and not allocated in any expense line item. The unallocated sum was created to help cushion any budgetary shock coming from a downturn in sales tax revenue. The city did honor all employees who were eligible for a step raise but it only gave a 1% adjustment to the pay grids when Consumer Price Index would have justified a 4% adjustment. The city also delayed most major capital purchases. For example, no police cars were purchased in 2009 when 12 cars could be purchased every year to keep the police fleet in manageable shape.

2009's actual budgetary performance was worse than anticipated. Sales tax collections - again 60% of the budget - fell by 1.2% compared to 2008 and 5.2% compared to budget. This completely wiped out the \$300,000 cushion built into the 2009 revenue and the shortfall had to be covered by the city's deep reserve.

The impact on the 2010 budget due to last year's performance was profound. Revenue was based on last year's actual revenue and practically all the city's operational budgets were cut below 2009 operational levels. With 80% of the general fund covering personnel costs and no layoffs mandated, it becomes clear that operational expenses are very thin in 2010. Employees were given 1% raise in adjusting the pay grids to help recover purchasing power lost last year, but no employee got a step raise in 2010. All capital was cut from the General Fund Budget except the very most essential such as bullet proof vests for police officers and turn outs for firemen. Again, no police cars were included and no fire trucks were included despite major mechanical issues in several fire trucks. Squeezing police cars and fire trucks into this year's projected General Fund revenue would have undoubtedly meant layoffs and salary cuts or a deep dip into the city's reserve fund.

The message is clear - at these depressed revenue levels, the Conway can not continued to fund our current levels of service. After two years of cutting our operational budget, if the local economy continues to slide or just stays flat, either cuts will have to be made in service levels or the city will have to draw the General Fund reserve down. The General Fund reserve is essentially one time money can only be drawn down so far before pushing the city towards insolvency. We are not there now and we would be a number of lean few years away depending on how hard we pushed to defer capital purchases and how deeply we cut personnel costs. But while we are not in catastrophic financial shape - we worked hard to create a deep reserve earlier this decade to have it in a time like this - we can see the forces at play which could lead to major financial problems in the near future. We have lost all the fat, anything we lose now is needed muscle. And when 70% of the General Fund budget is spent on the Police and Fire Departments, that muscle saves lives.

If people were wondering why we were looking at new revenue sources in such bad economic times, they need not look any further than that plain, simple fact.

Understanding the tightness in our General Fund Budget, all is not gloom and doom. In fact, it is in many other ways quite bright. The Street Fund and Sanitation Fund at \$3.8 and \$7.6 Million respectively are both healthy and are not dependent on sales tax collections. The Sanitation Fund reserve is healthy enough that the city is borrowing \$750,000 from it to cover the purchase of 12 new police cars and one new fire truck. However, that is as much as the General Fund can safely borrow and preserve the Sanitation Reserve at a healthy level.

Other revenue sources, dedicated by law or the vote of the public for specific purposes, are still being used by the city for a tremendous investment in public facilities which will elevate our quality of place and should ultimately help our local economy dramatically.

When you can invest in your community when everyone else is simply plugging leaks; when you can build quality of place when every one else is hunkering down, you can better position yourself for the future and come out of this recession in a better position in relation to our peer and competitor cities than when we went into the recession. In military parlance we would have “stolen a march” on our opponents or in NASCAR talk we are finding a way to advance under a yellow caution flag. Again, these other projects are being funded by sources of revenue that - by law or by your vote - can not be used for General Fund expenses with one significant exception.

Let's review these other revenues and the work they are allowing the city to accomplish. First, you the citizens of Conway rededicated our workhorse half cent sales tax in 2006. One quarter cent was dedicated to issuing \$7.3 million in bonds to build the new Police Station in downtown Conway which opened in 2009 to rave reviews. The other quarter cent was set aside for Street projects and Fire Department needs. The Fire Department was to get two years worth of revenue collections or roughly \$5.8 million over time in a pay-as-you-go fashion and Streets was to get the remaining years through 2015 for major arterial street construction again in a pay-as-you-go fashion.

The Fire Department is constructing a new \$1.7 million south fire station on Civil Defense Hill. The department has already purchased one new fire truck and this year is purchasing another new fire truck from these funds which will mean two new fire trucks will be purchased in 2010 from two separate sources.

The Street Department used the first major street construction monies in almost a decade - did you hear that first in almost a decade - to build connect Salem Road up and over Cadron Ridge to the new interstate interchange. This project has already changed traffic patterns in north Central Conway dramatically.

**Sidenote:**

For almost ten years the street Department has been operating on what could be called maintenance levels of funding since the last the monies ran out from the 1997 bond issue.

Ten years of growth and ten years on maintenance level street funding, and people wonder why there seems to be traffic in Conway.

These Street monies have also gone to widen Sturgis and Stanley Russ Roads and to build the new Nina Russ Road to the Meadows Technology Park – and to finish them by the promised time. The city is also using these Street monies at nearly \$2.9 million a year for widening Donaghey and revamping its intersection with Dave Ward Drive which started in 2009. These monies also allowed the city to meet the 20% match requirements for the Harkrider widening and median project and the new Salem Road Overpass project both of which started in 2009 and both requiring nearly \$1 million in match monies.

In the near future, these Street monies will allow the city to begin widening Prince Street from the high school roundabout through Salem Road. It will also allow the city to widen College Avenue at first from Hubbard through Salem Road and then from either Farris or Donaghey through Salem. It will also allow the city to replace that aggravating four way stop at Country Club and College with a roundabout which is the only safe traffic control option available. It will also allow the city to provide the money for College Avenue to be relocated away from St Joseph school campus to a new railroad crossing to be paid for by Union Pacific. And finally, these monies will allow the city to match the state to begin construction of the Southern Loop interchange and with the county to match the state in relocating Hwy. 25 to the new north interchange.

All of these things would not be possible without this new money dedicated by you for these purposes. The only negative is that paying with pay-as-you-go monies, the projects only go as fast as the monies are collected. In order to speed some projects such Prince Street widening which could take three or four years of construction misery to be done, the city may ask to finance this revenue source such as these projects can all be down sooner and quicker. Prince Street, for example, can have its construction time cut in half if all the money were available at the front end.

The FAA has approved the city's location for the new airport out in the Lollie Bottoms. The city has already purchased about half of the needed footprint for the airport site and will close on the rest within a few weeks. The airport will be constructed in approximately four to five years depending on funding unless increased funding speeds the construction. The federal government will be picking up 95% of the cost of the airport and the state aviation department will pick the other five percent. The city will close the existing airport when the new one is finished and it must by FAA rules capture the value of the land at the old airport and transfer that to the new airport for things the FAA will not pay for such as T-Hangers and Terminals. Considering the value in the land in the existing airport, Conway should be able to provide fine facilities for our business community and guests who use our new airport.

The 2% A & P tax on prepared food raises about \$2.4 million annually of which seven-eighths or about \$2.1 million dollars goes to capital projects for parks. By law, this money can only be spent for promotion and tourism, for convention centers, or for city parks. BY STATE LAW! These funds combined the previously mentioned Park Impact Funds of

\$400,000 annually on average (which by law must be spent for parks) are transforming Conway's park system into one of the finest in the state.

First, city voters approved a \$13.5 million dollar bond issue. \$7.5 million of this bond issue was set aside for a boys baseball complex, \$3.5 million was set aside for a girls fast pitch softball complex, \$1 million for a new fairgrounds, and \$1.5 million to extend the city's bike trail system. The debt service for this bond issue is just over \$1 million a year meaning the city has about \$1.5 million annually in pay-as-you-go parks money and is using it to supplement the projects in the bond issue.

The \$6.7 million City of Colleges Girls Fast Pitch Softball Complex is the finest dedicated girls fast pitch complex in the state and has just won the Arkansas Recreation & Parks Association's project of the year award. A nine field \$7.8 million dollar boys baseball complex named Conway Station Park will finish up this year for grand opening in spring of 2011. Themed after the railroad, it will be built to the same high standards as the girls park and both will be the premier ball complexes in the state when opened.

The first phase of the Bike Trail expansion is under construction linking Pompe Park on Prince Street and Gatlin Park on Tyler Street. It will open this year and, with a state trail grant, it is only costing \$200,000 in bond proceeds. The second phase connecting Prince Street with the existing trail head at Salem Road will start this year after completion of a Conway Corporation sewer project. Plans to pursue a Bike Trail along Stone Damn Creek in south Conway will also be pursued in 2010 as well.

The new "Conway" Fairgrounds, which will be the new home of the Faulkner County Fair, is under construction in east Conway. It is a \$6 million dollar investment which will serve not only as the home of the annual county fair but can be used by shows, expos, conventions, etc. year round capitalizing on good facilities in a location central to the state. The new Fairgrounds will include a 40,000 square foot expo center giving it 15,000 more square footage than the Don Owen Complex. It will include a 54,000 square foot covered livestock pavilion which can be used for car shows and a multitude of other events. A 14,000 square foot square event center with a variety of large meeting rooms will be built to a roughed out shell to be finished in later phase adding more versatility. The new fairgrounds buildings are already being readied as the new home of the Conway Business Expo, the Fayetteville Shale Expo, Dazzle Daze, and numerous other events. Again, all paid for by special revenues not General Fund revenues and all completed either this past year or in the next two years.

Of course, Street Impact fees are still allowing the city to improve the new roads to new areas of the city and make those roads be paid for by those who are moving to the new areas of the city. Museum Road after many long years of waiting will be extended to Lower Ridge Road in 2010. This will provide much greater access through this section of the city around which long detours have hereto fore been necessary.

Also, a small pot of money was set aside by the council for alternative transportation. These monies estimated at around \$130 to \$140,000 come from the city's share of the state's severance tax revenue off of natural gas. These monies are dedicated by the state for

transportation purposes and by the city for alternative transportation. Conway is using its money to first try to make Conway a more walkable, bike friendly city in order to reduce traffic congestion, encourage healthier lifestyles, and to provide a safe option of getting to school or to work or to the doctor or to the store if they can not use a car. Eventually, this source of revenue could aid with the operations of a future transit system.

Finally, in the one revenue source that could have been set up as a General Fund revenue but was designated by the city council for Economic Development, the 1% franchise fee on the gross electricity sales of Conway Corporation has paid huge dividends. Yes, the extra \$550,000 in annual revenue would have helped steady the General Fund but it is almost entirely being used to pay off two major bond issues. The first bond issue uses about 60% of the annual franchise revenue. The proceeds of this bond issue paid for all the new streets and the water and sewer mains for the Meadows Technology Park and Guy Murphy Industrial Park where most of the cities economic development activity is taking place.

The second bond issue using most of the remaining franchise fee revenue was directed towards constructing the building pads and developing the packing lots and site around the Hewlett-Packard facility. The City of Conway still owns the site and site improvements on which H-P sits and we will be refunded our investment if the facility ever sells. Had this revenue source not been available to put in the infrastructure and streets or to build the site as an incentive, the strong likelihood is that H-P would not have found in Conway a suitable site to locate. They were specifically looking for a campus setting. The city, through the use of this money in partnership with the Conway Development Corporation, created just that campus setting just in time. The city parleyed this revenue strategically to its advantage.

All in all, while the operations of the city are struggling with the downturn of local sales tax collections, we are much better off than many other cities even here in Arkansas not counting the harder hit areas of the country. Even in these times, however, Conway is investing millions and millions of dollars into our city - into Conway's public safety, into our parks, into our streets, and into economic development - which will pay dividends well into our future as surely as you can harvest tomorrow what we plant today.

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In the first decade of the 21st Century, Conway has truly transformed itself by taking an active part in choosing how we change and grow. We have chosen to grow smart with better planning and the tightest development ordinances in the state, to build world class parks, to build smart roads, to redevelop and beautify downtown because it matters to who we are and what other people think of us, to preserve the beauty of our city both historical and natural, to develop economic opportunities for manufacturing as we traditionally did but also to develop economic opportunities that better match our education levels and resources as well, to build from a city that lost the headquarters of its most high-tech, home grown company into a city that could attract the world's largest high-tech company in ten short years

Instead of growing out of the city we once loved, we are growing into the city we wish to become - a smart city that by virtue of its choices is becoming in Arkansas and indeed among

the small cities in the nation that what John Winthrop envisioned for his Puritan congregation in 1630:

*For we will be as "A City on the Hill." The eyes of all people will be upon us!*

At the recent funeral of a friend from another generation, as I am wont to do these days, I drew into a contemplative mood. Closer probably to the end of my life than the beginning, I can more easily feel what Abraham Lincoln called the "mystic chords of memory" stretching back to family and friends who have passed. As I reach out for them, I can almost hear their admonitions from beyond the end of their endeavors. What they taught us, what they showed us, what they ingrained in us, and what they left us as a model is still as alive to us through our memories as if the voice can still be heard or as if the hand that built were still at its task.

Facing the other way, we know what is true of those who came before will also be true of us when we step off this field - that our actions and constructions today will yet have our fingerprints on them when we are gone and when they whom will come after us have assumed our places. It is almost like those of us who have strapped on the gear of public service and stepped out on the field of endeavor can behold the shouts and cheers not only from those who occupy our present time but also those who have moved on to the upper deck, and those who have not yet even gotten to this field.

In that spirit, I can't help but think what we do today is being watched by the ages. We are watched by those, if only in our convictions, who entrusted the care of this great city to us, this city we hold in trust with the past, and what we accomplish today will ultimately be watched and judged by those who are not yet here and for whom we hold this city in trust and in hope for the future.

*If we are indeed are watched by the ages, as a city on a hill, then let us build a city for the ages!*

I think you'll find that spirit infusing everything we do in the City of Conway!

Let's have a great 2010 and a great second decade of this century.

Goodnight