

City of Hot Springs 2008 State of the City Report

According to state law, I am required to provide our local citizens a comprehensive *State of the City Report*. This Report provides me an opportunity to share with each of you some of the recent progress made by our community, as well as opportunities and challenges that we will be facing during the coming year.

The preparation of this annual report requires a lot of staff time in compiling and organizing the information. However, it serves a very useful purpose providing us some time to assess where we are as we begin a new year and where we may be going during the next 12 months.

As City Manager, my job involves a lot of complaints, frustrations and difficult challenges throughout the year. However, one of the most enjoyable aspects of my employment with the City of Hot Springs is to be able to share information with local groups and statewide organizations on some of the many positive improvements taking place in our city. While we have certainly experienced our share of disappointments and setbacks in recent months, we continue to experience real progress and we have taken major strides forward as a community in the past year. As we begin this new year (2008), we have a great story to tell, and I look forward to telling it in this *State of the City Report*.

2007 - A Year to Remember

The story begins by reflecting back over the past year on the many activities and events that involved our community. At times, this period was reminiscent of one of the new rides at Magic Springs & Crystal Falls. We managed to generate a lot of this same type of thrill and excitement by experiencing several memorable events such as the skateboarding incident featured on YouTube, the power outage this summer at our local amusement park and the one-of-a-kind motorcycle music rally held by the Hot Springs Music Festival.

And while there are many skeptics in our community who said it couldn't be done, we proved them wrong by actually eliminating forever the dysfunction junction at one of our primary intersections; observing the final lease negotiations for finally opening one of the bath houses; and (yes) even completing city construction activity in the downtown area. And yet work still continues on the National Baptist Hotel with a still unknown completion date. Yes, it has been an exciting year, and we do have a good story to tell in Hot Springs, Arkansas.

On a more serious note, we experienced growth and development in our community throughout the year. As several examples, Magic Springs and Crystal Falls announced a \$10 million expansion, and ACCENT Marketing Services dedicated their new call center with more than 400 new jobs. We also dedicated the new Arkansas Passport Center and enjoyed the opening of the new Garland County Fairgrounds. Major expansion of health facilities continued including the announcement of an \$11 million project at Health Park Hospital and the construction of the new emergency room at St. Joseph's Mercy Health Center. The Highway Department completed improvements on Highway 270 (MLK Expressway) at Central Avenue and the widening of Highway 70 West, and they will soon complete improvements on Carpenter Dam Road (Highway 128).

Our Planning and Development Department was directly involved in the growth we enjoyed in 2007 by issuing 1,005 building permits with a total value of \$66 million. This included 154 new residential units in the city limits. In addition, 75 existing structures were rehabilitated by property owners as a result of efforts by our Neighborhood Services Division. The City also approved 30 new residential preliminary subdivisions with over 700 lots in the past year. During this same period, several larger projects were approved that are now under construction including the Candlewood Suites Hotel, Peaks Apartments and the new sanctuary at First Baptist Church.

Other accomplishments realized by the Planning and Development Department included:

- Razed and removed 52 condemned structures.
- Initiated the new Operation Clean Sweep program which improved the safety and appearance of four different neighborhoods.
- Expanded the Planning Commission by adding two county residents.
- Started the Affordable Housing program to supplement our CDBG program.
- Added two sites to the National Register of Historic Places and adopted guidelines for the new Pleasant Street Historic District.

In terms of other city services, our Police Department had a very noteworthy and productive year as we welcomed the new Police Chief, Bobby Southard, and spent a lot of time clarifying the various types of crime reports used by different communities. I am very pleased to report to you today that our UCR crime reports that have just been completed for last year indicate that our total number of major crimes decreased from 5,237 in 2006 to 4,391 in 2007 (a 16.15% decrease). This includes our violent crimes which

were down 37% last year and larceny/thefts decreased 8% in 2007. Finally, assaults were down 41% and burglaries were down 21% in the past year. The commitment of our Board and Civil Service Commission to improve law enforcement and the dedication of our excellent police force are starting to pay off. We hope that you will share in the pride for these recent accomplishments by our Police Department.

During the past year, the Police Department's abatement program combined with the efforts of both Street Crimes and the Drug Task Force and took action against many locations. According to Chief Southard, "the cooperative efforts between our Police and Code Enforcement departments have changed the community for the better." Other specific accomplishments that were made by the Department in 2007 include:

- Upgraded equipment for our SWAT Team.
- Arrested two individuals as part of our new Internet Child Sexual Predator program.
- Acquired a new Incident Command Vehicle that will soon be put in use.
- Reorganized several divisions within the Department which have improved both internal operations and external services to our citizens.

Two other City departments were reorganized in 2007 including the Finance Department and the Public Works/Utilities Department. With the retirement of our City Treasurer, the functions of this position were combined with other employees in the Finance Department. In addition, management duties in Public Works/Utilities were combined with Steve Mallett assuming responsibility for both departments. These reorganizations have resulted in improved services, clearer lines of authority and long-term cost savings for the city.

At this time, I want to continue to tell the story by sharing with you the accomplishments of other City departments. I always find it difficult to condense the listing of noteworthy accomplishments of our City departments, but I want to offer the following as examples for each department:

- Airport - Completed several grant improvement projects and maintained a successful leasing program with 95% occupancy.
- City Clerk - Prepared 208 ordinances, 301 resolutions, 5 annexation packets and 250 Board of Directors paperless agenda packets.

- District Court - More than 46,000 cases were filed including 836 DWI cases; and more than \$4 million in fines/costs were collected or credited including \$192,000 for alternative service work that was performed.
- Finance - Received awards for Comprehensive Annual Financial Report and 2006 Annual Budget; implemented new utility billing system and remodeled offices to better serve our customers.
- Fire - Implemented rapid intervention teams for all structure fires and increased EMS first responder services; conducted long-term planning for capital needs and worked closely with the National Park Service and the Arkansas Forestry Commission on fire protection improvements.
- Fleet - Cut overtime by 96%; monitored and accurately projected fuel prices; and completed majority of construction on new paint and body shop.
- Human Resources - Conducted health fair involving more than 200 City employees and coordinated the opening of the new employee health clinic; focused on improving the health and wellness of employees to reduce future health insurance costs.
- Information Systems - Improved GIS web mapping; completed installation of wireless system at City Hall; completed fiber optic project with Traffic and Street divisions linking downtown video cameras with Police Department.
- Intracity Transit - Completed successful year with increased ridership, decreased costs and only one minor accident.
- Parks and Recreation - Dedicated renovated tennis courts at Kimery Park as George Caristianos Tennis Facility; completed new waterfall, pavilions and boat dock at Entergy Park; dedicated Hollywood Trail Phase 1 and initiated Mobile Activity Center in local parks; and Friends of the Park received ARPA award.
- Public Information - Initiated web streaming video promoting community and started the on-line credit card program; increased vendor and customer base at Farmers Market; held "Day at the Farm" closing event that attracted 4,700 attendees; hosted three delegations from our Sister City, including large delegation for the 175th NPS anniversary celebration; initiated the insertion of citywide newsletters into utility billing, saving \$32,000 annually in postage costs.

- Public Works - Opened new spay and neuter clinic at the Animal Shelter; downtown area improvements were completed including Confederate Square, new construction of new pedestrian crosswalks, and repainting of light poles; completed street paving program including Shady Grove Road.
- Sanitation - Collected over 81 tons of debris from four neighborhoods included in Operation Clean Sweep program; developed an adopt-a-street program with Beautification Commission and organized successful Spring Fling citywide cleanup last April; recycled 54,000 pounds of electronic waste and developed hazardous waste collection which collected 43,000 pounds of material.
- Utilities - Reduced water losses in 2007 and completed new water storage tank in Highway 7 South area; started relocating utilities as part of Higdon Ferry widening project; constructed new wastewater plant southwest of the city which will reduce electrical costs; added new technology including GPS equipment, project management software and new work order software.

In addition to these notable accomplishments by City departments, I wanted to complete this part of the story by adding a few more accomplishments that we realized including:

- Received award at 2007 AML Convention as Volunteer Community of the Year.
- Started preparing architectural drawings for new Farmers Market facility.
- Initiated comprehensive stormwater drainage improvement program that was approved for funding last month.
- Transferred ownership of Youth Center to ARC of Arkansas to be used as a performance venue in the future.
- Acquired new public sculptures and started a sculpture garden at the Transportation Plaza.
- Retired civic center bonds on July 2 (about 5 years early).
- Conducted community-wide forum at the fire station that attracted over 50 local citizens.
- Obtained A+ bond rating for the city.

- Held successful Advisory Board Appreciation dinner to honor the many citizens who serve on our boards and commissions.

Finally, this part of the story would not be complete if I did not share with you some of the setbacks and disappointments we encountered during the year. This includes the fact that a special election on a proposed new city hall was not approved by local voters. Following the election, however, a building study committee was appointed to consider options for improving our older buildings including City Hall. They should have their final report completed in the next 30 days. Also, several months ago a federal jury ruled against the City in a case involving a former City employee and the City settled with the ex-employee for \$130,000. We also experienced delays in the completion of improvements to the National Baptist Hotel which was a major disappointment. In addition, several local projects that we thought would get started in 2007 were delayed including construction of the new commercial center on the fairground property and the renovations of the Majestic Hotel. However, we remain optimistic that both of these projects will get started early this year.

City Finances

Later in this *State of the City Report* I will discuss the future outlook of our city finances. However, I did want to include some factual information on the status of our major accounts at the end of 2007. Our overall fund balances stayed at about the same levels as the prior year. Our estimated fund balance improved \$1.9 million in the General Fund but this was mainly due to surplus civic center bond funds and additional turnback funds that were received during the year. These funds are committed to major capital expenditures during 2008.

Most of our remaining funds remained within \$100,000 of last year's balance except for the Water Fund (+\$2,015,749), our Police Fund (-\$302,851), and Airport Fund (-\$241,460). Our total cash balance at year's end was almost \$13 million. However, please keep in mind that almost half of this fund balance was in the Water Fund, and this will be obligated for future water system improvements.

Future Challenges and Opportunities

I have to admit that my favorite part of this story is to talk about the road ahead during the coming year. This road will certainly have its share of challenges and opportunities that will have to be faced head-on in order to continue our progress. Last year, I mentioned several challenges and opportunities including the need to expand our local labor force, increase affordable housing, reduce local crime rates and address traffic congestion. I am pleased to report that most of these have started to be addressed by the

City and other entities. The Chamber of Commerce has developed a strategy for addressing labor force issues. We have created new affordable housing units in several different areas in 2007 with more such housing planned for 2008. Traffic has improved dramatically with the completion of several major highway projects and it will continue to improve with the Higdon Ferry Project and traffic signal improvements planned for 2008.

In looking ahead to the coming year, I want to focus on five primary themes or issues that I believe are critical in the near future, and I will conclude this year's story with these topics including (1) growth and development; (2) crime reduction; (3) green initiatives; (4) the city's financial outlook; and (5) citizen input. So please, sit back and enjoy the final part of this year's story.

Growth and Development

It should be obvious as you look around our community that we will continue to experience growth and development in virtually all areas. For example, we have six hotels that are either under construction or that will get started in the next 6 months. We will see a major \$25 million expansion of Oaklawn later this year. Health facilities will expand, including the \$11 million addition to Health Park Hospital. The new shopping center will start construction in April at the old county fairgrounds, and the community will be very excited when their new stores are announced later this month. New restaurants will continue to open and the redevelopment of several older buildings will continue in 2008. With all the new residential lots that have been approved by the City in 2007, we expect that our residential construction will continue here in Hot Springs, unlike other cities.

This growth and development will have a positive impact on the community by expanding local employment opportunities, increasing the amount of visitor spending and increasing our local tax base. It will also bring its set of challenges which will need to be addressed by the City to minimize future problems.

As City Manager, I am pleased to report to you that, due to the actions that the City Board, Planning Commission and City employees have taken over the last 10-12 years, we are prepared (for the most part) to handle and accommodate this growth and development within the city limits. The highway improvement projects just completed, as well as this year's Higdon Ferry project, will go a long way towards improving traffic conditions in the city. Our first Transportation Master Plan should be completed by April 1, and it will be critical that we immediately start implementing the recommendations included in the Plan. We have updated most of our zoning, development, landscaping and signage regulations over the past 5-6 years, so we are in decent shape from a

regulatory standpoint. We have also upgraded and expanded our infrastructure, including the construction of the new Southwest Wastewater Treatment Plant and new water and wastewater lines. Our staff is planning ahead for our long-term water supply from Lake Ouachita. Next month, we will bring a new planner on board that will help keep pace with the increasing workload in our Planning Department.

In 2008, we will be addressing our fair share of difficult zoning and development cases with several already on the Board's agenda in February. We will also be considering extension of our zoning in the one-mile area outside our city in March or April, and this will be an interesting discussion. As in the past, we welcome citizen comments in the decision-making process with all our meetings open to the public. Your input is important in determining how we grow as a community.

My one final concern on the growth and development issue, which I believe we must address in the next several years, is the update of our comprehensive plan. Unfortunately, neither the City nor the County was able to appropriate funding for this plan in their 2008 budgets due to other priorities. Our current plan is over 10 years old and is getting very outdated due to recent growth. An updated detailed quality comprehensive plan will play a critical role in the planning and management of our future growth. It is my sincere hope that somehow we (City and County) can find funding for this plan in the next 12 months and start development of the plan early next year.

Crime Reduction

Earlier I shared some great news with you in terms of the reduction in our local crime rates. In 2008, we have to continue focusing on crime reduction as a major community initiative. This is a quality of life issue that has a significant impact on tourism, economic development and future growth. It will require all of us to be partners with the Police Department in supporting their tireless efforts.

I am very pleased to report that we already have specific plans in 2008 to address this important issue. First of all, we have created our first Citizens Police Academy, which will begin on February 7, to get local citizens more informed and involved in local law enforcement. Our board recently showed their commitment by agreeing to add 5 new police officers to our force, the largest increase in many years and they also provided \$30,000 for the Drug Task Force. Other law enforcement improvements underway include the startup of our new video cameras in the downtown area. We will also purchase about 12 new police cars in 2008 and begin changing to black-and-white units that will be more visible. We are also very excited that our Congressional delegation was able to get \$370,000 in funding that will finally allow us to start adding mobile data terminals (MDT's) in all of our police cars. Finally, I wanted to announce that our Police

Department will be training our sanitation, transit and other City employees who work in the field how to identify and report suspicious activities. When this training is completed later this year, we will have several hundred more “eyes” and “ears” throughout our community virtually every day of the week. I hope that you will get personally involved and support our crime reduction efforts. Let’s work together to make sure that Hot Springs is safe for all our residents and visitors.

Green Initiatives

There is a new trend sweeping our country that involves local communities instituting practices and policies to protect our environment. Since our environment in Hot Springs (lakes, rivers, mountains, clean air, etc.) plays such an important role in our local economy, we have started to become directly involved in some of these efforts. However, we will need to do much more in future years in order to protect our natural assets. Some of the programs that the City has already initiated include:

- Changing the lighting in some of our buildings to more energy efficient lighting.
- Using bio-diesel fuel in many of our vehicles and extended oil change intervals.
- Using waste oil for heating our Fleet Services shop, thereby reducing use of natural gas by 50%.
- Using nitrogen gas to fill tires on vehicles to improve fuel economy.
- Expanding recycling, particularly in the area of electronics, household waste and waste tires.
- Recycling yard waste and combining it with sludge from our treatment plant to provide high quality compost available to citizens.
- Using paperless agendas, monthly reports and other information to reduce use of paper products.
- Adding a new nature park (Entergy Park) on Lake Hamilton that includes walking trails.
- Coordinating with our Sister City delegation for the planting of new trees to offset carbon consumption.

- Creating an urban forester position in 2001 and being a “Tree City USA” community since 2000.

In 2008, we plan to enhance and expand these green efforts and you are, once again, invited and encouraged to get involved. This includes conducting a comprehensive energy audit of all our buildings and water meters with major energy improvements planned following this audit. We plan to expand our recycling efforts by instituting a pilot plastics recycling program. And we have several hiking/biking trails that we plan to build depending on outside funding sources. In 2008, we will try to do a better job in reporting these green accomplishments, so that you are aware of our commitment to improving our local environment.

Financial Outlook

In order for the City to continue to provide quality services and fund many of the programs and priorities identified in this report, it is important that we have adequate financial resources in the future. Currently, the City is facing several financial challenges including the rising cost of fuel for our more than 500 vehicles. In 2007, the price we paid for unleaded fuel increased from \$1.72 to \$2.72 a gallon (more than a 50% increase). We are also experiencing increases in police and fire pension costs that are having a significant impact on these funds. We have been fortunate to provide our employees with decent pay raises the past several years while adding staff positions in several areas where services have been expanded. As a result, our total salary costs have increased dramatically over the past 4-5 years, and this has a major impact on our budget.

At the same time, our revenues have been fairly flat in the past year. It appears that our final sales tax increase for 2007 will be 3-4% while other revenues have not increased significantly. The surplus civic center bonds, additional turnback payment and new stormwater fee revenues will certainly help but these funds are dedicated to specific purposes. While it does look like our revenues will increase in 2009 due to Oaklawn’s expansion and the new commercial center, we have to continue to conservatively project these revenues until they are actually received.

In the development of the 2008 budget over the past several months, we had to use reserves from the General Fund. We also had to increase funding for the Police and Fire funds and allocate one-time funds from the civic center surplus bond fund to finance annual capital expenses. In light of these and other financial challenges, the development of next year’s budget will require some difficult decisions.

In the meantime, I will soon begin developing a long-range comprehensive financial plan including all City operations. While we have previously prepared long-range financial

plans for certain departments, including Sanitation and Fire, we do not have an overall 5-10 year comprehensive financial plan. At the Board's March work session, a draft of this plan will be presented to start discussion and get preliminary direction. It is hoped that this planning process will help develop consensus on the Board on some of the difficult financial decisions that will have to be made in future years in order to continue our services and programs. Once again, I invite our citizens to review the plan and make comments during this important process.

Citizen Input

Last, but certainly not least, I have already mentioned several times in this report the importance of citizen input in addressing our many future priorities. The input of our residents is critical as we deal with such issues as growth, law enforcement, long-term financing and new green initiatives. This citizen input, however, needs to include more than the comments from naysayers and constant critics of municipal government. Certainly we need to know if there are certain programs and services that need to be changed or eliminated. But, there are many more projects, programs and services that we are providing in a high-quality, productive manner that represent positive improvements. We need more input on the positive things that need to be expanded or enhanced in the future.

While the City provides a number of avenues for citizen input, we will be adding several more in the coming year. Currently, any citizen who has comments about your city government can (1) speak at a City board meeting; (2) communicate via phone, mail or e-mail; or (3) provide your comments on the City's 24-hour action line at 321-6808. Or you can provide your input on a more on-going basis by volunteering for one of our many citizen advisory boards and committees. Last year, we had several district forums, as well as a community-wide forum that generated some very timely comments from the public.

From my standpoint, I want to increase the opportunity for citizen input as we move forward in the new year. One of the new programs that I plan to initiate is *Coffee with the City Manager* twice a month at various restaurants around the community. A schedule for these informal coffee sessions will be released in the next 2 weeks and I encourage you to come join me to share your views on the current status or future plans for your city government. In addition, for those citizens who cannot join us and do not like to send letters or e-mails, we will implement a program that has been used in the past (suggestion boxes). Our property maintenance employees have recently built several of these boxes which will be on display at City Hall and our Financial Services Building for you to give your comments. While you do not have to sign your suggestion forms, your name will allow us to get back to you with a response to your suggestion.

So please, get involved. Give us your views and opinions. Each resident of our community is important, and your individual input is important.

Well, this completes my story for this year's *State of the City Report*. I hope that you will agree that we have a good story to tell. Please feel free to share this story with other local residents and visitors to our community. Hot Springs is a great community that has enjoyed a lot of progress in recent years. But clearly the best is yet to come. Thank you for this opportunity to tell my story this year. Thank you for the opportunity to serve as your City Manager.