

State of the City 2008

2007 will be remembered as a year filled with accomplishments as well as economic uncertainty and rising energy costs. Municipalities have seen sales tax revenue decline for the first time in many years as the real estate and commercial markets move through major corrections. Northwest Arkansas has, to a lesser degree, experienced what most of the United States has experienced. However, the City of Bentonville's 2007 revenue increased more than 8% over 2006 coupled with a projection for total 2007 expenses to finish better than budget. Additionally, the City will maintain a fund balance in excess of \$7 Million. I am pleased to report that "The State of our City" is sound. The City's financial disciplines and activities have been audited and found to be without remark.

The City Council, in May, approved the presentation to voters a proposal for \$110 Million in Capital Improvement Bonds. Financing for this proposal was made possible by extending for 25 years the one cent capital sales tax passed in 2003. Bentonville voters gave the Bond Issue an impressive 78% approval in the August '07 election. The first of three planned issuances took place in November - \$36 Million is currently being targeted toward Streets, Parks, Police, Fire and Airport capital improvements.

Bentonville's population growth continues – more than 31,000 individuals reside within our City based on year-end estimates. Economists report that Benton and Washington counties continue to add jobs. An average of more than 1000 people move into our area each month. Although 2007 building permits declined more than 24% versus 2006, the 1073 permits issued in 2007 are greater than any of the annual totals experienced prior to 2004. The total valuation of all projects in 2007 was \$188.7 million. Although this represents a drop of approximately 29% from 2006 results, it is a significant increase in property valuations for one year.

The decrease in new construction inspections has allowed the City to increase code enforcement. Code enforcement inspections are up more than 64% and have been expanded to include weekends. The passage of a new outdoor vendor ordinance and the revision of the sign ordinance have provided our inspectors an opportunity to help preserve the beauty and integrity of our growing city.

A new General Plan was adopted and implemented – this will help direct responsible growth and development through the year 2025.

The City Council, in May 2007, unanimously approved the implementation of a new solid waste and recycling program. The new program began in December of 2007. The early results indicate Bentonville residents are recycling far beyond expectations

– recyclable tonnage through 5 weeks exceeded all of last year's tonnage by 32%. The decrease in material destined for the landfill in Kansas is encouraging and speaks well for the commitment Bentonville residents have expressed to preserve our environment for now and the future.

Bentonville's City Utilities serve 17,351 accounts with electric, water, waste water, trash and recycling services. This represents an increase in accounts of approximately 3% over 2006. The total revenue realized for these services was \$62.9 million. Customer service and customer convenience have risen to a new level. The Utility Billing Staff and the three Utility teams are committed to serving the citizens of Bentonville in a timely and professional manner.

The completion of the 48" water line and the addition of the new 2 million gallon water storage tank allow Bentonville to be responsive to growth beyond the year 2030.

A regional waste water treatment facility is becoming a reality. Bentonville has led this initiative for the past three years and helped persuade the State of Arkansas to assist with funding this past Spring. Northwest Arkansas Conservation Authority (NACA) will authorize the issuance of construction bonds in February. NACA

expects to be treating wastewater by the end of 2010. This will insure capacity well into the 21st century.

The Transportation Department has been very active. The completion of – 6000 feet of sidewalks, 600 feet of bike trail in Memorial Park, Tiger Blvd., “C” Street from 22nd to 28th Street, SW “I” from Walton to 102, John DeShields extension, NW 3rd Street from Yukon Trail to Walton Blvd. are a few examples. Additionally, the following projects are in varying degrees of design and construction: expansion of the 28th Street / Olive Street overpass, Downtown Square Phase II, 8th Street West, SW “I” from Highway 102 South to Highway 112, “J” Street interchange, 8th Street from Walton to I-540, Highway 12 from Rainbow Curve to Greenhouse Road, Highway 102 West from Walton to Greenhouse Road, Highway 72 East from “J” Street to I-540, six significant drainage projects, and the resurfacing of 2.4 miles of City streets. Bentonville’s traffic needs are being addressed in a precedent setting manner. The process will be challenging as we work to reduce the time and effort required to safely move through our City. Late in 2007, the City chose a consultant to design and prepare the federally funded 8th Street project. This project will see 8th Street improved from South Walton Blvd. to I-540, including access to and from I-540.

The City of Bentonville's Legal Department prosecuted 2,872 criminal and traffic cases, with charges ranging from speeding violations to DWI and battery. The 2007 conviction rate was an impressive 95% up from 92% in 2006. The City Staff Attorney also prepared 83 Ordinances and Resolutions, processed 10 annexations and 490 legal documents. Bentonville's Staff Attorney provides the highest quality of legal counsel and risk management for the city.

Bentonville continues to be a leader in technology. Free wireless internet service on the Downtown Square became a reality in April of 2007 – this has been well received by our citizens and our visitors. The City's web site provides many services and features that allow citizens and visitors to save time and energy. Improvements made at our Community Development facility allowed the relocation of City Council to be made. The new location will provide citizens with better communications and access to more technical information on important issues that come before the Council.

Included in our recent Capital Bond initiative, the Bentonville Parks Department now has the funding to pursue numerous projects that will raise the quality and quantity of recreational services. Construction will begin this year on a new restroom, concession and meeting complex for Memorial Park. Landscaping will begin this Spring at the North Trail and later this year at many of the gateways to our City. A record number of youth are expected to participate in organized sports

activities in our parks in 2008. Plans are underway to expand Phillips Park due to a generous donation from Carroll Electric which is nearing finalization. Expected to become a reality within 3 years, will be the addition of a Community Center to the parks system. This new facility will likely be located along the Highway 12 corridor and will include facilities for indoor basketball, walking, competitive swimming, wellness activities and meeting space. The exterior grounds will provide areas for walking, children's playground and picnic type gatherings. Bentonville has a great Parks system and we will continue to pursue improvements and additions to the system which focus on the needs of a growing community.

The citizens of Bentonville have a Police Department that is widely recognized for its professionalism. Low crime rates and safe communities do not just happen. A focus on accident reduction and increased patrol time have proven to be wise decisions. Crime prevention programs and our Citizens Police Academy have created a high level of cooperation and respect between our citizens and our police officers. The City Council has approved the addition of three patrol officers and one detective for the 2008 budget year; this will help insure that we maintain our commitment to address continued growth in a responsible manner. Capital Bond proceeds will be used to expand the Police Department headquarters and to replace outdated communications equipment in 2008.

Open for 15 months, the Bentonville Public Library has been a big hit. The addition of a Children's Librarian and increased programming attracted more 183,000 users during 2007. The library's meeting facilities hosted nearly 400 events involving more than 8,500 attendees. The library staff and advisory board are committed to improving the professionalism of the staff and the level of service available.

Bentonville's Municipal Airport has begun its recovery from the devastating tornado of March 2006. Construction of a new 2,500 square foot terminal building is underway. The Arkansas State Board of Aeronautics will fund the majority of the costs; the remaining costs of construction will be covered with insurance proceeds. The Airport Advisory Board has served admirably and worked diligently to insure that we move in the wisest direction in bringing this City asset toward complete restoration. Later this year, the Board will bring before the City Council a recommendation for constructing the replacement storage hangar. Completion in mid 2007 of the Westside taxiway and the recently approved ground lease agreement, position the airport for unprecedented growth. The demand for general aviation services will drive development at our airport for years to come.

Fire protection in Bentonville is an enviable “ISO 2” rating. This rating offers financial benefits to all property owners as they secure hazard insurance. Scheduled for completion mid-year 2008, the new Central Fire Station will offer a much needed replacement for the 45 year old facility currently serving as our #1 Fire Station. Capital Bond proceeds will provide new communication equipment and some replacement rolling stock. Land has been secured for Stations #6 & #7. The schedule for constructing Station #6 will be developed later this year.

Construction of Crystal Bridges Museum of American Art is underway. Scheduled to open in 2010, this world class attraction will serve as one of the greatest single catalysts for growth that Bentonville and Northwest Arkansas have ever experienced. Expedited infrastructure improvements remain top priority as we plan for the quarter of a million annual visitors this facility is projected to bring to our area. New business and hospitality opportunities will surface as the Museum nears completion. One of the greatest needs for our downtown area is parking. I am committed to securing funding for a multi-level parking garage in downtown Bentonville.

I want all to know the current world and national economics are concerning. We should not assume we are exempt from this phenomenon; Arkansas and Bentonville could experience negative repercussions. I, along with our Director of Finance, will

closely monitor our City's revenue and will be prompt in identifying trends. Although our budget is sound and our planned expenses are without frill, we will be prepared to appropriately match our income to our spending.

I applaud the vision and support the City Council has demonstrated regarding the need to address Bentonville's on-going capital opportunities. It is refreshing to engage in healthy discussions, vote our commitments and then move forward in unison toward the task at hand.

Also, I want to recognize the many contributions of our professional City Staff as they have led in problem solving, planning and community involvement. Daily they coordinate the activities and services of our 380+ City employees who work to meet the needs of Bentonville's 31,000 residents.

Many thanks too, to those citizens who serve on Commissions, Advisory Boards, Committees and groups focused on addressing the City's activities – it is their commitment to public service that makes Bentonville a better place to live!

We are most fortunate to live and work in Northwest Arkansas – may God continue to bless our Nation, our State and our City.

Bob McCaslin

Mayor

City of Bentonville

January 22, 2008