



CITY OF COLUMBIA, MISSOURI

OFFICE OF CITY MANAGER

May 26, 2011

Dear Mayor McDavid and City Council members:

It is my heartfelt honor to submit my first State-of-the-City message to you. Breaking from past practice, I will share my thoughts directly with you, rather than hold a news conference. Our Charter calls for the City Manager to submit "a statement of policy recommendations for programs and priorities." What follows will likely seem shorter than prior years and this is due primarily to my tenure of three weeks.

As the new guy in town I can offer this fresh assessment of Columbia and citizens' relationship with their City government: I see a great community with high expectations and a wide-ranging vision for Columbia's future. It is clear that Columbia, as a community, has weathered the recession with significantly fewer negative impacts than most cities in America. However, not all of our community members have been so lucky. In this very tough economic climate, City officials have made the right decisions to maintain a stable government that delivers on its mandates. This has meant dipping into the City's rainy-day funds at the same time employees have gone without raises, put off training and new equipment. Those decisions were right, and prudent, and have resulted in softening the impact of the recession on the community. For this, the community can be proud of their City employees, including the unpaid employees like the City Council and the hundreds of volunteers serving on Boards and Commissions.

So, we continue on-course, right?

Well, we continue what works. We also choose a higher ground where, as the community envisioned, citizens are better connected with their government, they know more about issues important to them, and they want to engage with their government because they know it will work with them and for them. My expectation is that the staff of the City of Columbia will hold a simple and abiding passion for public

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service and perform at its highest level. These two themes, public service and high performance city government, will define my focus in the coming year.

Observing a Great Community

The community has a wide-ranging and detailed Vision. When the City Council adopted the “Imagine Columbia’s Future” report in 2008, it adopted 13 high-level goals identified by citizens who care deeply about our city. That report correctly acknowledges that it takes a community to get the job done, and City government is a natural, active partner. Credit is due to everyone who will not let this rest. After all, the community entrusts us with significant resources; it’s good that those resources be used for a meaningful purpose. The challenge ahead lies chiefly in connecting that Vision to accomplish-able goals for each and every service the City provides. Creating that strategy will take more than a little of the staff’s time in the coming year.

Columbia has a proud reputation as a full-service city. Services that are tightly woven into our civic fabric here would be, in many places, “nice” to do or not even considered. I see the strong local support for bond issues and the park sales tax, the attention paid to City Council business, the frank exchange among competing interests. Columbia’s noisy, vibrant democracy makes all this possible.

Columbia is an “idea” place. It exemplifies a knowledge economy; a world-class university and colleges, strong public and private school systems, libraries, museums, research, and businesses built on that foundation. I have been asked many times in my first month, why I wanted to come to Columbia. My response has invariably been, who wouldn’t want to be here? Who wouldn’t want to thrive at the hub where ideas, vision and civic life connect? There is greatness, right here.

The Recession is Receding

Sales tax revenues for the first six months of this fiscal year (October - April) are up two percent. Seventeen of 26 economic indicators published by the Columbia Business Times in their Economic Index are improving. These include decreasing unemployment (.7% lower than last year), increasing value of commercial permits (129.8% increase), and higher median price of homes sold (5.4% increase).

While these suggest our economic recovery is real, we have not yet fully regained what was lost in 2008. Since 2008, City sales tax revenue declined. Growth in City spending has slowed each year as well, but we've had to rely on reserve funds to fill the gap between revenues and spending. In navigating that, the Council took prudent action and asked staff to spend less than was budgeted. Departmental leadership met that challenge and still maintained core services. There were no drastic staff reductions or fire sales of public assets. We're still on that journey to reach financial equilibrium, at least through 2014. This is a good story, in my opinion. It means City government stayed focused and disciplined, even through significant, fundamental change. That change pervades the organization.

- Since 2008, six of seven Council members changed;
- In the last two years, more than 60 employees retired from City government, with an average tenure of 22 years;
- In less than a year, top leadership has changed in five departments and in the City Manager's Office.

Our overall fiscal operating position remains sound. The outside world agrees, as confirmed by our recent bond rating of AA+, "positive outlook." Our independent auditor found no audit adjustments for FY 2010 and only minimal findings associated with \$28 million in grants from more than 50 federal programs. Our debt is well below what would be expected for a city this size and with this tax base, and we have not used debt to balance operating budgets. Columbia is in as fine a financial shape as any city I've seen.

Opportunities for Gain

While there is much to suggest an economic recovery is happening, we should continue to be actively engaged in growing our economy and removing barriers to commerce. As the Mayor and Council have said, one of the keys to our brighter economic future is the Airport. It has endured a rough couple of decades and is now operating better than it has in recent memory. In the coming months, through the budget cycle, I will be exploring ways to elevate the Airport to its next stage of success. I believe that success will come from more flights to bigger hubs, regional partnerships, and a new financial model.

Infrastructure in general is one of the core reasons cities exist. Roads are aging and in need of reinvestment. Citizens continue to tell us they are not satisfied with the condition of these assets. Finding ways to increase our investment will consume much of our work on the budget.

Columbia is a vibrant, exciting place. Hundreds of thousands of people visit the community every year, whether bringing students to college, attending the Show Me Games, Mizzou football games, or Roots - N- Blues -N- BBQ Festival. These visitors support our community in fundamental ways. While there have been many successes in creating and attracting events, I believe we can do more. I am encouraged by the Police Chief's and Convention and Visitors Bureau's efforts to introduce tourism oriented policing. Its core message aligns beautifully with the community's vision of a welcoming environment for residents and visitors alike.

The People of the City Government

The City's sound financial shape has come from prudent decision-making, but at a cost to the organization and through sacrifice by employees. Their last pay raise was \$0.25 per hour, two years ago. Some have had hours reduced, and some have second jobs to make ends meet, like many of the people we serve.

Like other residents, City employees pay mortgages, send their kids to school, buy gas and groceries, pay utility bills. We have a generous benefit plan that kicks in when a person needs health care or retires. Day-to-day, however, the economy works on our employees' earning power just the way it does on that of others.

A "down" economy also affected our business operations. Employees, for the most part, kept their jobs, but we withheld some resources for training, supplies, equipment and travel. These are the same choices other businesses make. Like them, we innovate, adapt and redefine our roles. Here are some of the things City department directors told me about their defining events over the last year.

- As the economy eroded discretionary income for the typical traveler, the Convention and Visitors Bureau attracted the National Bikers Roundup to Columbia. Twenty-thousand new visitors filled hotel rooms here and in other cities within a 50-mile radius.
- Even with four unfilled staff positions, the Fire Department maintained its distribution of coverage and ensured that all fire stations remained open.
- The Office of Neighborhood Services, built from other parts of City government to beef up property code integrity, investigated more than 4,000 cases in 17 months. It coordinated 45,000 volunteer service hours worth more than \$1 million.
- Columbia citizens overwhelmingly voted to extend the Park Sales Tax for five years. The tax will raise \$12 million for parks, green space and other projects throughout the city.
- Columbia Regional Airport has been so profitable for Delta Airlines, the carrier no longer needs a federal subsidy to serve the area.
- Regional economic partners, including the City of Columbia, attracted IBM to locate here. With the potential for 800 new jobs in a clean, technology-based company, this is some of the most stunning economic news of the last decade.

I also want to mention some more sobering defining events, because they are part of the City story and push us to perform better. The Police Department acknowledges that the widely publicized SWAT warrant service was a mistake, but also a stimulant for culture change. The Public Health and Human Services Department has seen a steady erosion of funds while citizens experience greater needs for help. In both instances, we will be defined by how we respond.

Guiding Principles

Our response, our every-day work will be guided by two principles: we're here to serve; and we're accountable for performance. The FY 2012 budget I will propose to you at the end of July will clearly recommend programs and priorities, based on these two principles.

My proposal will reflect all the new data coming our way: the citizen survey; an employee engagement survey; customer surveys from City departments; fiscal projections; your guidance provided at the

Council retreat; thoughts from the community; and my reflection on the community Vision. Here is the path I will take.

- Making citizens the center of their government and serving them as if we could lose their business and loyalty.
- Creating a compelling scorecard that describes our performance record, with meaningful measures of that performance.
- Committing to keeping citizens (and ourselves) informed, connected and engaged.
- Organizing our business operations to let employees serve their customers without paralyzing chains of regulation.
- Compensating City employees fairly and providing the support they need on-the-job.
- Living within the resources provided by taxpayers and ratepayers.

I appreciate this opportunity to communicate in a formal way, and your trust. I look forward to contributing to our success. I cannot imagine a better job than City Manager in Columbia, Missouri.

Regards,

A handwritten signature in black ink, appearing to read "Mike Matthes", with a long horizontal flourish extending to the right.

Mike Matthes

City Manager