

2018 City of Harlingen State of the City Address

Harlingen 2017: History in the Making

1. Opening.

Good Afternoon. And Welcome to this 2018 City of Harlingen State of the City Address. We are extremely grateful to the Harlingen Rotary Club for their decade's long commitment to hosting this event. It gives your City Leaders an opportunity to report on our City's progress and for the public to look us in the eye and ask us what we've done. It is a great honor and privilege to give this report on behalf of the City Commission and our wonderful team of city staff. : And so at this time I would ask that the City Commission stand and be recognized: Richard Uribe, Tudor Ulhorn, Mike Mezmar, Ruben de la Rosa and Victor Leal. Gentlemen, thank you for your leadership and your commitment to our great City. And likewise I'd like City Manager Dan Serna and all our City Staff to stand. Please give them a round of applause.

But what is important to remember about this report is that it is not all about what your City leaders or City staff have done, but what our City as whole has done—with the contributions of so many other partners, businesses and community leaders. And so I am proud to report on the amazing things that we have done together in 2017.

Harlingen is a great City. Harlingen acted like a great City in 2017. Harlingen dared to dream big dreams and accomplish great things. And we did. Harlingen made history in 2017.

2. Economic Development.

Throughout 2017, we saw economic activity and building construction going on in virtually every corner of our City. And we capped it off in December with the largest industrial project in our history—the historic groundbreaking of the Cardone Industries Distribution Center. This is a \$50 million investment in the Harlingen Industrial Park. This state of the art distribution center will encompass 920,000 square feet. Now to put that in perspective, it will literally be one of the largest buildings in the

Valley—as large as the Astrodome—as large as 16 football fields under one roof. It will employ up to 750 people once fully operational. One of the things that this project says about Harlingen and Cameron County is that we have a great work force. Cardone is already here and they already employ over 250 people. This new huge investment is also an endorsement of our people. They know they can find good workers here. It took years to develop this project and to make it a reality. And we are thankful for our strong partnership with Cardone which first came to Harlingen in 2006 to open their core processing facility on east Harrison Street. At the groundbreaking, Owner and Chairman Michael Cardone said this: “We went through an extensive process to try and find the right place to put our distribution center. Not only was it financial, not only was it logistically strategic, but the people and the City [were] very important to us. As we went through that process we felt very strongly. . . that Harlingen was . . .the place for us.” The direct benefits of this project are immense but we believe the indirect benefits will be just as great. As others recognize what Cardone has recognized, that Harlingen and Cameron County are ideally located for distribution and logistics, we hope to see more businesses of this kind follow. And we want to again express our great appreciation to our Cameron County leadership Judge Eddie Trevino, Commissioners Gus Ruiz and David Garza and the entire Commissioner’s Court for working side by side with us in this dynamic project.

But we didn’t stop there. Just a few days later Texas Regional Bank broke ground on their new \$10 million headquarters at a very prominent location in our City. Our health care sector continues to expand with an \$8.5 million dollar redevelopment and expansion of emergency room facilities at Harlingen Medial Center which opened in June 22, 2017. Exceptional Emergency Center at the corner of Stuart Place and Expressway 77 also opened its doors this year. An ambulatory surgery center and other medical specialists are building in the heart of our medical district.

We continue to increase retail throughout the City. Retail shopping venues are popping up throughout town including those which will be home to a Jimmy John’s franchise and Freddy’s Burgers. The Chapa group is constructing a new shopping and retail center in front of Sam’s which will include

Bahama Bucks and Paris Bakery to name a few. The tremendous growth in the western part of our community continues with the opening “Stewart Place Crossings” hosting three new restaurants Cheddars, Tropical Smoothie Café, Russos and 16,000 square feet of shared office space.

Moreover, our downtown buildings are filling up with The American Bar Association occupying 27,000 square feet on the third and fourth floors of the historic Reese Building. Nine new business opened in our historic downtown improvement district last year.

Other new businesses like Harbor Freight opened here. And Fox Valley Molding is expanding their existing facility creating new jobs, highly skilled high wage jobs and an increase in their payroll.

In March, we also broke ground on our Cold Room Inspection Facility at the Los Indios International Free Trade Bridge. Another partnership with the County and the City of San Benito, this project which is nearing completion will make Los Indios a much more attractive and viable truck crossing port of entry for trucks bringing produce from Mexico to the United States.

As exciting as seeing National franchises locate in Harlingen, its equally thrilling to see local businesses thrive and expand in Harlingen, including new locations for longtime local favorites like Blanquita’s. The famous Vermillion Restaurant, long a fixture in Brownsville, also made its way to Harlingen. We’re also seeing McAllen anchored Palenque Grill finding its way to our great City.

2017 also saw two new hotels break ground Homewood Suites and Fairfield Inn.

All told, the total number of building permits issued in fiscal year 2017 increased by 30% over fiscal year 2016 with a corresponding construction value increase of nearly \$11 million dollars. Overall, fourteen more commercial subdivided lots and 242 more residential subdivided lots were developed in 2017 compared to 2016.

Along with all of this retail and commercial growth Harlingen, has seen an unprecedented 16 continual months of positive retail sales tax growth. Fiscal year 2017 ended with overall positive sales tax growth of 4.4%. That compares very favorably with other Valley communities.

All of our job creation has helped reduce our unemployment rate to a ten year low of 5.4%.

3. **Park Improvements and Healthy Lifestyles.**

As proud as we are of a signature industrial project like the Cardone Distribution Center, new retail shops and restaurants, job creation, increases in our sales tax and the overall upward trend of our economy, we're just as proud of the things we have been able to do to improve the quality of life for all of our citizens and all of our children. We had some incredibly joyful occasions this past year as we cut the ribbon on three all-inclusive playgrounds which were made possible through the partnership of the City of Harlingen, the Harlingen Consolidated Independent School District, the Valley Baptist Legacy Foundation and other supporters such as the Rollie and Amy Koppel Foundation and the Sunrise Rotary Club. These new playgrounds illustrated the true spirit of this great community and they made history. Forging ahead with not just one but three of these all-inclusive playgrounds, we made it clear that this community wanted all of its children to benefit from the great parks and recreational venues that we have throughout our City. The Parks and Recreations Advisory Board and our City Staff listened as mothers told heart-breaking stories of having to avoid parks and playgrounds with their special needs children. They just didn't want to see what they couldn't do and enjoy. No longer do they have to avoid the playgrounds because they can't participate. Now they can play side by side with other children while they all have fun. I'm proud that our City stepped up and made this a priority. And Harlingen has set a new trend. Harlingen led the way as other communities and the county have followed in building their own all-inclusive playgrounds in different venues. We also made history when this effort was recognized by the Texas Municipal League at its annual conference in Houston. For the very first time, Harlingen received the Texas Municipal Excellence Award in the over 25,000 population category for public works

for our all-inclusive playgrounds initiative. We share that award with those who partnered with us. Thank you.

Parks are important to Harlingen. And we have the most parkland per capita of any City in South Texas. All of our Parks are important to us and every one of them received attention and improvement this year. From a new parking lot and playground equipment at Bonham Park to improvements at each of our swimming pools, we know that investing in our parkland is good for the soul and the health of our community.

Promoting good health in our community has also become a priority. The Mayor's Wellness Council and Healthy Harlingen have supported a number of initiative to improve a healthy lifestyle. We placed 2nd in the It's Time Texas Challenge in 2017. We supported the move of our Farmer's Market to the City parking lot next to City Hall. That combined with new shade structures built with support from the Legacy Foundation have made the Farmer's market even more popular and increased its attendance. And it seems like we're seeing walks and fitness challenges every month. In addition to time honored events like the Jalapeno 100 and the South Texas Sizzler, we also saw our first sprint and olympic triathlon in Harlingen, Viva Streets sponsored by the Harlingen San Benito MPO and this month we will host Harlingen's first fully sanctioned Boston Qualifier Marathon. It's important for us to promote and expand these events, not only to promote good health and set the example for our children, but hey, it's good for business and attracts visitors to our City to participate in the fun and healthy competitions.

4. Creating an Attractive, Beautiful City.

In 1891, Chicago won the competition to host the 1893 World's Fair. And in doing so, they assembled some of the greatest architects of the age to build structures and landmarks that would host the world. One of the architects, Frederick Law Olmsted, understood that the most important element of creating the Fair's appearance was landscaping. He was the greatest landscape architect of the age and he knew that the landscape was both the canvas and glue that tied everything together. Great cities don't

just have great buildings and architecture, they have great landscapes. And Harlingen has made improving the appearance of our landscape and natural beauty a priority over the last few years. And to that end, we completed and cut the ribbon on a signature landscaping project at the Harlingen Interchange—the very gateway to Harlingen at the crossroads of I-69 and I-2. Having placed first in the 2015 Governor’s Community Achievement Award in 2015, Harlingen was awarded a \$250,000 beautification grant. Spearheaded by Keep Harlingen Beautiful and City Staff, winning the award opened the way for this great project. Now, instead of unkept and patchy grassy areas welcoming our neighbors home and greeting new-coming visitors, we have a beautifully landscaped and LED lit park-like venue as one of the first things we see.

But that’s not all Keep Harlingen Beautiful has done this year to improve our city’s appearance. In October 2017, on a cold and drizzly day, KHB and our Parks staff improved over 12 canal banks throughout our city planting 780 shrubs and trees along the way. This project improved the appearance of a great many neighborhoods.

And continuing our commitment to our neighborhoods, we partnered once again with the Texas National Guard and Operation Crackdown to remove blighted structures throughout our city. These blighted structures are also dangerous and serve to attract graffiti and drug use. This year we “knocked down”30 buildings bringing the grand total over 6 years working with the Guard to 243.

Our Community Development Department has also been instrumental in improving the neighborhoods by financing the construction of 29 new homes and improving 16others.

We’ve talked before about the great partnership the City of Harlingen has with Habitat for Humanity. And thanks to their Board and their Executive Director Wayne Lowry, not only do they continue to help people with new home ownership, they have now made Harlingen their Headquarters taking over the old Zarsky lumber yard operation for their new home. This is a home run for us as they anchor their operations here and invest in our community.

5. Valley International Airport—The Best Airport in South Texas.

And speaking of home runs, Valley International Airport—the Best Airport in South Texas—scored some home runs in 2017. 50 years ago Harlingen made history when Southwest airlines began operations here. This is a photo of the actual cocktail napkin Herb Kelleher drew his now famous plan on. No one knew then how important the Harlingen/South Padre Island leg would be to the airlines future or just how big Southwest Airlines would become. But we know it today. And in July of 2017, VIA marked its fifteenth consecutive month of positive passenger growth, averaging a 7.5% increase over the previous year. Although Hurricane Harvey negatively affected the boardings for the months of August and September, we still finished the fiscal year up 5.3% over last year. Sun Country resumed its seasonal service with direct flights from Minneapolis and they couldn't be happier. Their load factors—the number of passenger seats filled as a percentage of passenger seats available—reached a staggering 99.6% in April leading to an increase in weekly service and an extension of an additional month's service through May in 2018. United Airlines has also seen a 9.6% increase in passengers boarding in Harlingen. Combined, all the airlines, increased the number of available seats by 8%. And even with more seats, the load factors continued to climb. And the good news at the airport wasn't just for passenger travel, 2017 also saw a 16.4% increase in air cargo shipments to and from Valley International Airport. In October, FEDEX added an additional wide-body flight between Harlingen and their Memphis Hub. Already in the top 90 of cargo airports in the nation, these increases may get us close to being the top 50. Congratulations to our Airport Leadership.

6. Harlingen Waterworks.

Our former waterworks manager liked to tell me that the greatest advancement for good health and long life throughout history has not been medicine—apologies to friends in the healthcare professions-- but clean water and proper wastewater management. His argument is supported by a recent book called History of the World in Six Glasses—which argues in part that because people were afraid to drink water because they might get sick—they drank the forerunners of beer and wine and were basically

plastered most of the time—Dilly Dilly-- that is until the 19th century when we started drinking coffee made with boiled water.

Fortunately for us here in Harlingen, we have plenty of clean water and a state of the art wastewater system that was completed in 2017 the Harlingen Waterworks System. Harlingen completed construction of the all liquid and solids treatment facility and again made history. We cut the ribbon on the new facility on east Harrison and it is fully operational. At a cost of \$14.5 million, our Waterworks leadership and staff saved more than \$30 million over what the experts said it cost if we had used all outside contractors. And the new plant's energy efficient processes have reduced power consumption by \$250,000, a full 1/3 reduction in costs in less than a full year of operation. The Waterworks also replaced and constructed 2850 feet of a failing 15 inch sewer line under New Hampshire street using a pipe bursting technique that significantly reduced construction time, traffic disruption, pavement replacement and project cost saving at least \$400,000. The Waterworks also installed a 7000 foot 15 inch gravity main and made other improvements to service our growing retail sector on the east side. And in 2017, Waterworks installed 324 new water meters increasing our customer account total to over 25,600. Our water meter and sewer connections outpaced those in the prior year by 33% and 42% respectively. That is just one more strong indicator of the significant growth occurring in our City. And to insure that we continue to have plenty of clean drinking water, Harlingen acquired another 432 acre feet of water rights at a cost of just over \$700 thousand realizing a 32% discount from market rates by taking advantage of water law that enables the purchase of water rights associated with agricultural use. Harlingen continues to own more water rights than any other city in the Rio Grande Valley.

7. City Infrastructure Improvements

As I began to prepare this annual report, I reviewed City Manager Dan Serna's 121 page Annual Activities and Accomplishments Report. And if I were to tell you of all of the accomplishments of our City Departments over the last year, we'd be here for the next six hours. So let me tell you about a few more

As promised we completed construction and held a grand opening for our new Fire Station on Stuart Place Road. The opening of the new Fire Station continues our commitment to public safety and maintaining excellent emergency response times to all areas of our City. Thank you to Fire Chief Rubio and his staff for all they do to keep our community safe.

We also started the design process for the expansion of Spur 54 into a 6 lane roadway with raised traffic medians near the Bass Pro Shops and Sam's retail area. The proposed improvement to Spur 54 will accommodate growth in the area for years to come. This nearly \$7 million dollar expansion is being funded with State Funds through our Metropolitan Planning Organization. The Environmental review has been completed and design work is underway. We expect to start construction in 2019.

Maintaining city streets is just as important as constructing new ones. So this year we established a funding mechanism to improve our ability to do just that. The City Commission implemented a Street Maintenance Fee that created a dedicated funding stream via ordinance to fund street improvement projects. This dedicated fund will provide an estimated \$1.4 million dollars annually to improve and maintain our city streets; These funds will be in addition to what we already budget for streets from the general fund.

Sidewalks also provide another important means of mobility for our citizens and visitors. For that reason we continue our efforts to expand and install new sidewalks throughout our city. We were recently awarded 4 new grants totaling \$3.25 million dollars to construct an estimated 17 miles of new sidewalks at various areas around our community. These sidewalks will help reduce traffic and offer more avenues for exercise.

I've already mentioned our all-inclusive playgrounds that allow children of all abilities to play together in a learning environment. To continue our efforts for inclusivity in our recreational areas our Parks Departments lead by Parks Director, Javier Mendez constructed a new ADA compliant wheelchair

accessible ramp at our Pendleton Pool and new wheelchair platform swings/lifts at both Lon C Hill and Victor pools. These improvements will insure that everyone can enjoy our pools without limitations.

Improving the Quality of Life for our citizens and visitors is a top priority for our city. Toward that goal the Community Improvement Board and City Commission approved \$2.6 million in 4B funding to construct Phase I of our proposed Destination Park at the Lon C. Hill Park, which could include an amphitheater, lighted basketball courts, a large pavilion, ADA compliant restrooms, courtyard, pergolas and a hike and bike trails. Phase I of this park is currently under design and construction is expected to begin in the next 6 months.

Equally important to maintaining an excellent quality of life for our citizens is providing easy access to all levels of city government. Toward that goal, we have been waiting to announce a new tool that we believe will help improve access to all areas of local government and improve our response to citizen request for services. I am proud to announce the launch of our new City of Harlingen App. You can download the App from the Apple Store or Play Store directly to your smart phone. Developed over several months by our Management Information System (MIS) Director, Sergio Mujica, the App allows citizens and visitors to request services from city departments, request information, make suggestions, stay informed of upcoming events from their smart phones. Have a complaint against your neighbor, let us know.... just kidding. Have a suggestion on how to improve our city, send it to us. Find a pothole, take a photo and send it. The App is designed to forward your concern or comment to the appropriate department for a timely response.

8. Convention Center.

In August we broke ground on our long planned Convention Center. At that groundbreaking, I joked that Harlingen had not built a municipal building of this magnitude in over 50 years. And that every 50 years or so we should build a new building. This will be a building that our community will be proud of. It will reflect our identity and our culture with both indoor and outdoor spaces. It will be a

place to host visitors to our City in ways that we currently cannot. And it will a place our own residents can use and enjoy. The 44,436 square foot building will sit on 8 acres and feature a 16,200 square foot ballroom, 4,000 square foot outdoor covered pavilion and total meeting space of 20,000 square feet. The ballroom will be capable of seating 1500. We expect this new convention center to open for business near the end of this year. And we are already fielding a lot of calls with interest in using the building for all types of events. This \$16.7 million investment is being paid for with money set aside for this type of infrastructure from our Tax Increment Finance Zones, our Hotel Motel taxes and some of the 1/8 cent of retail sales tax which funds our Community Improvement Board projects such as parks and other quality of life projects. No general fund revenues are being used to finance this project, so it does not take away from other city services like police, fire and streets.

And it will be the first such meeting facility in the Valley which is actually connected to a Hotel—a Hilton Garden Inn to be built by our developer BC Lynd—the developer of the re-development of the historic St. Anthony Hotel in San Antonio just one of many projects they have done.

9. Baxter Building.

And speaking of redevelopment, we can now report that we will be re-claiming a bit of Harlingen's own history as we are now cleared to proceed with the re-development of the historic baxter building. News articles from 1926 talked about the excitement of the Baxter building when it was first under construction¹⁹²⁷ And the rivalry with Brownsville and McAllen to have the tallest building - - some things never change.

We had to make some more history in 2017 as we fought for the tax credit funding from the Texas Department of Housing and Community Affairs. In the end, the TDHCA governing board agreed to the funding this past September. We couldn't have done it without the steadfast support of Senator Eddie Lucio, Representatives Eddie Lucio III, Representative Oscar Longoria and Chris Gonzales and the

Harlingen Area Chamber of Commerce who all attended the hearing in Austin in September. I thank each and every one of them very much.

But our project also had the support of two other cities in Texas and I want you to hear what they had to say in letters to the TDHCA Board: From the Cisco, Texas Development Corporation their executive director wrote: “Cisco, Texas has been dealing with a huge deteriorating eyesore in the midst of our downtown for decades—(sound familiar)—But we finally got lucky [when they got a call from MRE Capital]—(this is the same developer acquiring the Baxter building). After noting that the old 8 story building in Cisco’s downtown would likely cost \$1.5 million to demolish, he said “Resulting from MRE’s purchase, the property is now being converted from what was likely to be a million dollar plus liability into an \$8 million dollar asset for our town.” Likewise, the Plainview/Hale County EDC wrote this: “Our tallest building in downtown is the 8 story Hilton Hotel constructed in 1929 and vacant since the mid 1980’s. Over time the building has been vandalized, windows broken and in general a community eyesore. That often served as . . . [an economic development] prospect’s first impression of our city. . . . that is all changing since your department approved MRE Capital’s Conrad Lofts project last year. . . . Economic development comes in many forms. Conrad Lofts and . . . Baxter Lofts have a pivotal economic and social impact on communities. . . .” The similarity between all three of these projects is remarkable. And we have the testimony of two other city’s whose projects are nearing completion on what an impact this \$5.5 million restoration of Baxter will be to our City. MRE’s architects have been regular visitors to the building in the last few months and we expect to see construction begin this year.

10. Public Safety.

Economic Development and City Improvements all work together to make a City a great place to live, work and play. And so does public safety. Violent Crime in our City in 2017 is down nearly 40% from our 5 year high—from 281 violent crimes to 174. And Property Crimes went down nearly 18% from a 5 year high of 3272 to 2729. We’re proud of the work our Harlingen Police officers do. And much of the success of our department has to do with Chief Jeff Addickes and his teams commitment to

community policing. Community policing is a concept that had its origins when Sir Robert Peel organized London's Police Force in 1829. One of the historic principles of community policing is "to prevent crime and disorder" as "an alternative to repression by military force." In community policing the men and woman of the police force gain respect and the willing cooperation of the public by officers getting to know the neighborhoods and its citizens. Community policing was not widely embraced in the United States until the 1980s. But here in Harlingen the HPD is doing an exceptionally good job at it. Programs like "Run with the Heroes" , National Night Out, Friday Night Bike Rides have all contributed greatly to this sense of partnership between our community and the police department. One of their programs, Shop With A Cop brought deserving young elementary students out before Christmas to spend a \$100 gift card at Target while shopping with a police officer and community volunteer. In most cases, the police officers added their own money so that these kids could buy gifts not for themselves but for other family members. This kind of selflessness and connection with the community was a beautiful moment last year and we congratulate the department on the outstanding program.

Our fire department has also been innovative in their approach to the community by partnering with the Harlingen CISD to form the first High School Fire Academy in our City. In this new program, students have the opportunity to earn 468 credit hours towards two certifications in Fire Suppression and First Responders. The students who successfully complete the course and pass the exam are eligible for employment an entry level fire department.

Supporting our police and fire departments is a top priority of the Harlingen City Commission. In 2008, the City's total public safety expenditure was \$16.5 million. Last year, our combined funding to the two departments was over \$30 million accounting for approximately 60% of our general fund expense . We're also proud to say that we were able to successfully approve our third consecutive collective bargaining agreement with both the police and fire associations, this time for 3 year terms which will extend thru September 2020. From October 2008 thru September 2020, both our police officers and fire

fighters will have received an annual average pay increase of 3.3%. That's a significant accomplishment and one that we're proud of.

11. Harlingen's History of Financial Stability.

The City's continued success is also reflected in its fiscal stability and strength. In 2017, our property tax base increased 3.48% to \$3.4 billion and we ended the year with nearly \$17.7 million in our fund balance which represents 149 days of operations. Our revenues exceeded our expenditures and Standard and Poors once again affirmed our AA- rating with a positive outlook. Standard and Poors noted our tax rate was low—they say flexible--, that our budgetary performance was strong, the city's management [is] strong, with good financial policies and practices. They noted that the city has a strong history of consistently maintaining reserves above 30% which they viewed as a positive credit factor. They also praised the fact that 71.7% of our direct debt will be repaid within 10 years. And they also concluded that there was a one in three chance that S&P would raise our credit rating within the one-year outlook period.

As most of you know, Harlingen has not raised its tax rate in over 10 years. In fact, we lowered it slightly one year and we have one of the lowest tax rates in the Valley. Our County leadership is to be commended for adopting the free port tax exemption at the County level - so that now we have the exemption on inventory at the City, School District and County levels. Last year in this address, I also praised the County for this effort. But what I could not say last year, but was confident of, is that it directly impacted our ability to attract Cardone Industries Distribution Center. Tax rates matter to industry and business. And, we are primed now to attract more.

12. Closing.

In closing, 2017 was a historic banner year for our City. And as we move into 2018, I am certain that we will make more history. And like last year, I know things that you don't. So expect more great things from a great City. And I hope you each do well on the Pop Quiz about to be handed out. Thank

you for all you do for Harlingen. God Bless America, god Bless our Great State of Texas and God Bless the great City of Harlingen.