



City of Little Rock

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To the Honorable Mayor Mark Stodola
and Members of the Little Rock City Board of Directors:

I respectfully submit the official Year 2015 Budget for the City of Little Rock that builds on the accomplishments and service improvement programs initiated during the last few years. While the economic downturn and slow recovery experienced in the past several years continues to create significant challenges for the City, the passage of the new one (1)-cent local sales tax, which became effective January 1, 2012, significantly enhances the operating and capital resources necessary to maintain and improve public safety and the City's infrastructure, stimulate economic development, and provide much needed funding for parks and programs that enhance the quality of life for Little Rock citizens. Overall operating expenditures total \$248,768,085, an increase of \$10,802,928, or 4.5% more than the 2014 Adopted Budget and \$5,076,928, or 2% more than the final 2014 Amended Budget. The Operating Budget changes for the 2015 Year are summarized below:

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
General Fund	\$194,740,211	\$184,264,530	\$10,475,681	5.7%
Street Fund	20,050,226	19,363,696	686,530	3.5%
Fleet Services Fund	13,294,275	13,135,688	158,587	1.2%
Waste Disposal Fund	17,127,479	17,655,926	(528,447)	-3.0%
Vehicle Storage Facility Fund	1,359,144	1,321,150	37,994	2.9%
Parking Garages	2,196,750	2,224,167	(27,417)	-1.2%
Total	<u>\$248,768,085</u>	<u>\$237,965,157</u>	<u>\$10,802,928</u>	<u>4.5%</u>

The 2015 Operating Budget has been developed around common themes from the Mayor and Board of Directors policy and priority areas. These strategic priority areas include: Public Safety; Economic Development; Infrastructure; Basic City Services; and Quality of Life Issues.

OVERVIEW

General Fund:

Little Rock citizens passed an additional one (1)-cent local sales tax in September 2011 that was effective on January 1, 2012. Faced with significant challenges with stagnant revenue in many areas due to the lingering effects of the economic downturn, and one of the lowest local tax rates in the State, citizens supported the new tax initiative. The City held several public hearings in each Ward to discuss priority needs associated with Public Safety, Public Works, Jobs and Economic Development, Parks and Recreation, Zoo and Tourism, and other priorities, including fleet replacement, information technology needs, pension funding, and public transportation. The priority needs were divided between on-going operating needs and capital needs. The five-eighths (5/8)-cent permanent increase in sales tax for operations is reflected in the FY15 Adopted Budget. The three-eighths (3/8)-cent sales tax for capital projects, which expires in ten (10) years (2021), is discussed in detail in the capital section of the budget document. In addition, in a special election held on September 11, 2012, Little Rock citizens approved the issuance of capital improvement bonds not to exceed \$105 million for street and drainage improvements. Up to \$73.5 million of the bonds are dedicated to street improvements with the remaining \$31.5 million available for drainage improvements throughout the City. The bonds are secured by a three (3)-mill ad valorem tax on taxable property located within the City of Little Rock. The City issued \$58,105,000 in bonds on July 24, 2013. A second series of bonds will likely be issued in 2016 or 2017.

The General Fund 2015 Operating Budget includes several significant changes from the original 2014 Operating Budget. The 2015 Budget and the 2014 Amended Budget include transfers in from the 2012-2021 Capital Improvements Fund (3/8-Cent Sales Tax) to fund the principal portion of debt service due on short-term notes that were issued to accelerate key capital projects funded by the sales tax. The transfer in for debt service was not included in the original 2014 Adopted Budget. This adjustment represents \$6,379,582 of the transfer in revenue and related debt service expense in the 2015 Operating Budget and accounts for \$5,155,851 of the increase from the original 2014 Adopted Budget to the 2014 Amended Budget. Debt service on the notes is included in the General Administrative Department of the General Fund.

Sales Tax continues to be the leading revenue source for the City at approximately 50% of general fund revenues. The City's sales tax is composed of a one and one-eighth (1-1/8)-cent local tax on gross receipts, which includes the half (1/2)-cent sales tax in effect since 1994, combined with the new five-eighths (5/8)-cent operating sales tax effective January 1, 2012, as well as a per capita allocation of a one (1)-cent County tax and State Turnback Funds. The three-eighths (3/8)-cent sales tax for capital projects is not reflected in the operating budget; however, it is reported in a separate capital projects fund. Revenue from the operating portion of

the new sales tax is committed primarily to filling vacant Police Officer positions, supporting the twelve (12) new Fire positions for the West Little Rock Fire Station that opened in 2012, maintaining grant-funded positions in the Police and Fire Departments and the addition of Code Enforcement Officers. Also included is funding for neighborhood-based/community initiatives of \$5.5 million, increased funding for building maintenance, expanded park maintenance, Zoo deferred maintenance, operations and staffing, annual fleet replacement, information technology staffing and maintenance, and new transit routes. Many of the initiatives supported by the new sales tax were implemented during 2012 and are maintained in 2015. Changes to the Arkansas Sales and Use Tax Law known as the "streamlined sales tax" took effect beginning January 1, 2008. Sales tax revenues are distributed based on where the purchaser takes receipt or delivery of the product or service. In addition, local tax caps on most single transactions are no longer applicable when City and County Sales and Use Taxes are collected. The local tax cap continues to apply to the first \$2,500 per item on the sale of motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile homes. Businesses, schools, governments and charitable organizations are able to recover the tax paid on single transactions over the previous cap amount through a rebate program. The program allows such tax payers a period of up to six (6) months from the date of the transaction in which to claim the rebate. The rebate period will expand to twelve (12) months under recently enacted State legislation. State Statute restricts the level of tax information available to municipalities which makes forecasting sales and use tax revenues very difficult. Growth in sales tax receipts compared to the same period a year ago were volatile throughout the year. Based on growth experienced in the first ten (10) months of 2014, combined with an anticipated reduction in the State sales turnback, the projected growth from the 2014 Amended Budget includes 0.55% for the City's portion of County sales tax revenue, 1.12% for the City's local sales tax, and a reduction of 15.2% in State turnback revenue, or a blended growth rate of 0.50%. Based on the final actual sales tax revenue for 2014, including strong results for December sales, the City will need to experience growth of 0.25% to achieve the 2015 Budget of \$96,684,815.

Franchise fees from local utilities comprise approximately 15% of general fund revenues. Franchise fees from Entergy Corporation, the electric utility, decreased approximately 3.43% in 2014 due to lower usage and the discontinuance of a rate adjustment associated with the utility's exit from a multi-state agreement in which it had operated for decades to equalize rates among member states. Entergy franchise fees are expected to increase by 3.9% in 2015, due to an announced rate increase of 3.4% and a return to normal weather patterns. Storm recovery charges passed on to customers and weather impact rates and usage. Franchise fees from Centerpoint Entergy, the gas utility, increased approximately 10.6% in 2014 with an increase in usage of approximately 6%. Revenues in 2015 from Centerpoint Entergy are expected to increase approximately 1% from the Amended 2014 Budget. Franchise fees from telecommunication companies and long-distance are expected to decrease approximately 3-5% after several years of decline due to on-going competition from wireless companies. There are no scheduled rate increases

included in the 2015 Budget for Central Arkansas Water and Little Rock Wastewater. Wastewater revenues increased approximately \$300,000 in 2014 due to a 7% rate increase, but are projected to be flat in 2015. Central Arkansas Water announced proposed rate increases for wholesale customers who sell to private utilities for the years 2016 and 2017. In addition, Little Rock Wastewater has rate increases scheduled in 2016, 2018 and 2019 to comply with the terms of the Sierra Club lawsuit to reduce sanitary sewer overflows in Little Rock.

Property Tax revenues account for approximately 14% of General Fund revenues. Little Rock recently received its Original Charge for 2014 Property Taxes to be collected in 2015. The Original Charge is approximately 3.4% over last year's value and represents the total amount assessed on real estate and personal property for the previous year. The 2015 Budget reflects an increase in Property Tax revenues of approximately 4% from the 2014 Budget. In addition, the 2015 Budget and the 2014 Amended Budget include separate 1-mill property tax levies dedicated for the Police and Fire Pension Plans. I am pleased that overall property values in Little Rock were maintained during the recent economic downturn and continue to experience reasonable growth. The City has not experienced the decline in values that were prevalent in other parts of the country.

City employees have demonstrated their dedication and professionalism by providing quality service to the citizens of Little Rock. The General Fund Budget supports 1,683 full-time equivalent (FTE) positions, a net increase of fourteen (14) FTEs compared to 2014 staffing levels. Staffing includes twenty-seven (27) Police positions previously funded by a grant award under the *American Recovery and Reinvestment Act* COPS Program and eighteen (18) Fire fighters previously funded by a SAFER grant. In addition, special projects and grant awards support forty-one (41) employees. However, approximately 100 of the budgeted General Fund positions were vacant during 2014. This represents a significant improvement over the 152 budgeted General Fund positions that were kept vacant in 2011. With the passage of the new sales tax, positions were filled and new positions have been added, particularly in the areas of Public Safety and Parks and Recreation. The 2015 Operating Budget expenditures include \$139,939,883 in personnel cost, net of an anticipated \$6 million in savings from authorized but vacant positions. The 2015 Budget does not include salary increases. One-time lump sum bonuses for full-time employees will be awarded based on salary ranges, providing the greatest benefit to employees with the lowest salaries. Employees with a salary of \$40,000 or below will receive a bonus of \$1,000. Employees with a salary from \$40,001 to \$60,000 will receive a \$750 bonus. Finally, employees with a salary of \$60,001 or greater will receive a \$500 bonus. Non-uniform employees currently on probation will receive the bonus after successful completion of their six (6)-month probationary period, and probationary uniform employees will receive their bonus after successful completion of their respective recruit school. The City Manager, the Assistant City Manager, and Department Directors were excluded from the bonus program. In addition, Police and Fire personnel covered by labor agreements will receive scheduled step and grade increases. The bonuses will be partially funded by the

carryover of \$550,000 in funds from the 2014 contingency allocation. Negotiations with the American Federation of State, County and Municipal Employees (AFSCME), the International Association of Fire Fighters and the Fraternal Order of Police were ongoing at year-end. In July 2015, revenue and expenditure trends will be reevaluated to determine if salary adjustments are possible. Health insurance costs will decrease approximately 11%, due to change in insurance programs. The City will join the Municipal League Health plan in 2015. Employee contributions for dependent coverage will decrease by approximately \$1,000 per year. In addition, the budget includes health insurance coverage for designated part-time employees in accordance with requirements of the Affordable Care Act. Benefit changes approved by the State Legislature increased pension costs for Fire and Police uniformed personnel. Pension costs increased from 19.58% to 20.58% of payroll for uniformed Fire personnel and from 16.23% to 17.23% of payroll for uniformed Police personnel. In addition, the City merged administration of the closed local Police Pension Fund with the LOPFI Plan which will require an additional contribution of 9.23% of payroll for uniformed Police personnel. However, the additional contribution will not result in any additional cost to the City. The dedicated 1-mill property tax levy, annual City sales tax contribution of \$500,000, and other dedicated fines and fees are expected to fund the 9.23% contribution. The City implemented a new Defined Benefit Pension Plan for non-uniform personnel on January 1, 2014. The plan resulted from a yearlong review of options to improve the retirement plan for non-uniform employees. There will be no change in 2015 to the City contribution of 9% of salary to the plan, matched by employee contributions of 4.5%. Pension costs for Court Clerks decreased slightly from 14.88% to 14.76%. Vacant positions are budgeted at the mid-range salary for the position's grade, providing some budget flexibility in the recruiting process. Overall, with the changes in salary, employee bonuses, benefits and the increased number of filled positions, the 2015 Budget for personnel cost will increase approximately 2% from the 2014 Budget.

Fleet and fuel costs are projected to increase approximately \$153,000 in 2015. The 2015 Fuel Budget is based on estimated unleaded and diesel fuel per gallon prices averaging \$3.25. The cost per gallon of fuel has decreased with the utilization of new fuel blends. In addition, the City opened a new Compressed Natural Gas Station (CNG) in 2014 and is converting some vehicles to CNG. While the fuel cost per gallon has decreased, the number of deployed vehicles has increased with additional staffing in Police and Code Enforcement. The budget for fleet parts increased due to the aging fleet; however, as the annual fleet replacement schedule is resumed with the passage of the sales tax, repair and maintenance cost will be reduced.

The City issued a \$5.9 million short-term financing note in 2014 to accelerate public safety projects associated with the three-eighths (3/8)-cent sales tax for capital projects. Short-term financing notes are authorized under Amendment No. 78 to the Arkansas Constitution for the acquisition, construction and installation of real and tangible personal property having an expected useful life of more than one (1)-

year. The notes are repaid over a period of five (5) years from general revenues. The principal portion of the new note will be funded by a transfer to the General Fund from the proceeds of the three-eighths (3/8)-cent sales tax for capital projects. Principal and interest payments are included in the General Fund Budget. Debt service payments will increase by approximately \$1,235,500 in 2015 due to the addition of the 2014 note.

Funding of the Pulaski County Jail was continued in order to provide space for prisoners in accordance with the City's primary focus on Public Safety. In addition, an extra allocation is available from a \$20 local jail fine to contribute toward operations for expanded Pulaski County Jail space. Combined, the funding for the jail will increase by 5% to \$1,854,576.

A Homeless Services Task Force was established in 2006 to end chronic homelessness within our community. The City of North Little Rock has partnered with Little Rock to financially fund the Jericho Way Day Resource Center. The services provided to homeless individuals and families are focused on finding housing, job referral, and case management services, medical, dental and psychiatric assistance. In addition, both municipalities are working with the various support groups in Central Arkansas as part of the on-going process to address the needs of homeless individuals and families.

The City is appropriating approximately \$5.5 million for Children, Youth and Family Programs, including youth employment, skills center funding, and re-entry programming in 2015 as part of City's emphasis to foster and enhance youth and community development. City Staff will continue to work with community groups, neighborhood associations, the faith-based community and other groups to ensure resources are targeted appropriately. In addition, the City implemented an in-house pilot program to train and utilize disadvantaged persons for the construction and maintenance of sidewalks in conjunction with the skills center and re-entry programming. The program was extremely successful and will be continued in 2015. In addition, the City has expanded the program to include additional entry-level positions available in other City Departments. Community Programs Staff is issuing a request for qualifications in 2015 for development of a Youth Master Plan.

The 2015 Budget includes a contingency allocation of \$1 million or .51% of General Fund revenues. The City of Little Rock's Management Team will continue to manage the City in a sound and fiscally prudent manner while striving to deliver the quality and level of service that the citizens of Little Rock expect with available resources.

2014 Accomplishments

Little Rock Police Department: The City hired Kenton Buckner as Chief of Police replacing Stuart Thomas. Construction was completed on the 12th Street Station with initial occupancy in July 2014 and complete occupancy scheduled for April 2015. An upgrade to the 311 System was commenced in late 2014, which will allow

citizens to request City services utilizing mobile technology which will greatly increase service delivery to the citizens of Little Rock. A total of 105,281 requests for City services were made utilizing the 311 System. A Recruit School began on June 25, 2014, with a scheduled graduation on February 6, 2015, with nineteen (19) recruits.

Little Rock Fire Department: The Little Rock Fire Department continued to provide quality services, responding to more than 28,474 fire and emergency calls during 2014. During the year, the Department developed a “Battalion Chief’s Academy”, completed a Correlation Development Task Book and implemented a web-based training program to enhance in-service training capabilities. No fire deaths were recorded during 2014 in the City of Little Rock due in part to the expanded community outreach programs and the intensified efforts of the department’s Prevention and Community Outreach Division. Other divisions within the Department attained significant goals and instituted numerous staff training during the year including participation in an Active-Shooter tabletop with the Little Rock Police Department and Metropolitan Emergency Medical Service (MEMS) and developed a “Pumping Manual” for the department. The Aircraft Rescue and Firefighting unit (ARFF) completed the FAA Safety Inspection with zero discrepancies. The Training Division provided 1,391 training instructor hours equating to 11,592 hours of student participation in training classes. Classes offered included EMT refresher classes for 415 firefighters, driver training, inflatable boat and swiftwater technical training along with numerous other classes, in addition to conducting a twenty (20)-week Recruit School. The Department continues to move forward with the accreditation process through the Center for Public Safety Excellence.

Public Works: In 2014, Public Works Operations Staff responded to 7,798 requests via the 311 service request system and swept 24,996 curbs-miles of streets. In addition, staff administered a successful Sidewalk Program, utilizing disadvantaged citizens re-entering the workforce. Civil Engineering oversaw the second year of a three (3)-year cycle of Capital Sales Tax and 2013 Capital Bond Issuance projects.

Fleet Services: The City of Little Rock Fleet Services Department once again achieved national recognition as being among the 100 Best Fleets of North America. In addition, Fleet Services opened a fully-operational Compressed Natural Gas fueling station in April 2014.

Finance: The Finance Department obtained the Government Finance Officers Association (GFOA) Certification of Recognition for the 2014 Budget Presentation and the GFOA Certificate for Excellence in Financial Reporting for the 2013 Comprehensive Annual Financial Report. The Grants Division provided assistance to other Departments, component units, non-profit organizations, and neighborhood organizations of the City in training, writing, obtaining, monitoring and reporting on grant awards. In addition, the Department provided quarterly reporting to the Little

Rock Citizens Evaluation of New Tax (LRCent) Committee on the status of the new local sales tax and on progress toward completion of capital projects authorized under the three-eighths (3/8)-cent portion of the tax. In 2014, the Finance Department facilitated the issuance of a \$5.9 million short-term note to fund the final phase of the 12th Street Station, purchase six (6) Fire Trucks, and fund Information Technology improvements.

Information Technology: The Information Technology Department assisted the Police Department with the upgrading of the Computer Aided Dispatch (CAD); completed the implementation of the Active-Active Data Center project; and assisted the Police Department with all of the technology needs for the 12th Street Station.

Human Resources: The Human Resources Department conducted a Training Needs Assessment to determine areas to concentrate on in 2015. In addition, the Department researched and modified different onboarding processes to improve the new employee, new hire experience. The Department embarked on a major independent contractor compliance processes across the city, including providing training to City employees. Human Resources coordinated the annual flu vaccine and information program and conducted extensive training on revised policies and procedures.

Parks & Recreation: In 2014, Little Rock Parks and Recreation dedicated and opened the Natural Steps Athletic Complex which provides three (3) fields for soccer and two (2) fields for Lacrosse play. In addition, the Department celebrated the groundbreaking for the \$6 million West Central Community Center, located at the intersection of John Barrow and Colonel Glen Roads. When completed, the center will be a 22,000 square-foot state-of-the-art facility. In addition, the Department dedicated the newest pedestrian/bike trail in the City's parks system located at War Memorial Park. The nearly one (1)-mile trail loop runs parallel to the east side of Coleman Creek. The Little Rock Marathon had another successful race that saw an increase in both registrations and revenue. Parks were maintained at a Class "B" level, which indicates that each park is mowed one (1) time every ten (10) work days. In 2014, the Department's "Lights on After School" initiative was again successful, in that it continues to promote the critical importance of quality afterschool programs in the lives of children, their families and the community. Finally, a detailed inspection of every playground within the parks system was conducted.

Planning & Development: The Planning and Development Department, with the Planning Commission and the Board of Directors, coordinated the review and adoption of several Zoning and Subdivision Ordinance Amendments. Review of the City's future Land Use Plan for two (2) areas was completed and amendments were approved by the Planning Commission and Board of Directors. The 2012 Arkansas Fire Prevention Code, Volumes I, II Building and III Residential went into effect January 1, 2014. The 2014 Arkansas Energy Code and the 2014 National Electrical

Code were adopted. The Board of Directors approved an ordinance adopting a Design Overlay District for the John Barrow Road Corridor.

Little Rock Zoo: The Little Rock Zoo enjoyed a successful year in 2014. A capital upgrade to the chimpanzee exhibit was completed allowing for a new water feature and new climbing structures for the chimps that is also visually appealing for the guest. New shade structures were installed over both great ape visitor viewing areas. New animal identification graphics were installed throughout the Zoo. Baby capybaras, two (2) maned wolf pups, and two (2) penguin chicks were hatched contributing to the conservation of important animal species. A new miniature train ride, the Diamond Express, was donated to the Zoo by the Arkansas Zoological Foundation and began operation in June. In addition, the Zoo acquired a new zebra and new camels.

Housing & Neighborhood Programs: The Housing and Neighborhood Programs Department filled five (5) Code Officer positions during the 2014 year to complete the number of additional Officers proposed to be hired as part of the LR Cent Sales Tax Program. In addition, the Department implemented new code enforcement software that is currently being utilized to improve the effectiveness and efficiency of the Codes Division. Code Enforcement increased the number of Contract Teams from two (2) to four (4) teams to be more efficient in debris removal, cutting and cleaning of vacant properties. The Department implemented a quarterly newsletter that is distributed to elected officials, neighborhood associations, and other interested parties. At the Little Rock Animal Village, a donation of \$100,000 was received to assist in the construction of a Quarantine Area.

Community Programs: In 2014, the Community Programs Department fully implemented new technology software to monitor Prevention, Intervention, and Treatment Program performance and participation in all funded programs. A Tobacco Youth Council comprised of fourteen (14) students from across the City was established, completed orientation, and has begun discussions regarding tobacco issues affecting children, youth, and families. In collaboration with the Little Rock School District, implementation of the Evening Career Center, a skills training pilot project for eighteen (18) to twenty-four (24)-year olds, resulted in the completion of two (2) successful training cycles. In addition, the Department continues to expand the Re-Entry Employment Readiness Training Program throughout all City Departments with a focus on career areas that will assist those returning from a correctional facility to develop a skill that will lead to full-time, permanent employment.

Vehicle Storage Facility: The City of Little Vehicle Storage Facility partnered with the Little Rock Convention and Visitors Bureau to provide taxicab driver training. Training was completed in April 2014. Staff from the Vehicle Storage Facility attended the International Association for Transportation Regulators (ATR) conference. A back-up generator was purchased in 2013 and installed in 2014 for power outages.

Budget Polices and the Budget Process: The General Fund goal was to set aside the greater of \$10,000,000, or 10%, of General Fund revenues in the Restricted Reserve on or before December 31, 2005; however, due to economic conditions in the past few years, the City has been unable to meet this goal. The restricted reserve is currently \$9,418,000. The 2015 Budget includes a contingency allocation of an additional \$1 million. Following the completion of the 2014 audit, the City's management team will determine the amount of funds available to increase the reserve, with the intent of gradually increasing the Restricted Reserve to achieve 10% of General Fund revenues in the next few years.

2015 Goals

- In coordination with the Mayor and City Board, staff will have a major focus on completion of projects funded by the new sales tax. Staff will constantly track, monitor, and report on capital projects funded by the sales tax and will maintain a detailed tracking system on the City's web site, www.littlerock.org.
- Continue quarterly review meetings with the Little Rock Citizen Evaluation of New Tax (LRCent) Committee to review expenditures and progress toward initiatives supported by the new one (1)-cent sales tax. These meetings will provide an additional layer of accountability and transparency to tax payers.
- Continue to implement the street and drainage sales tax plan for the 2013 - 2015 infrastructure improvement cycle established per the Ward community meetings.
- Complete the Ward community meetings for the second three (3)-year cycle of street and drainage sales tax projects for 2016-2018.
- Continue progress on street and drainage improvement projects funded by the 2013 Capital Improvement Bonds.
- Complete construction and open the West Central Community Center.
- Update the Parks Master Plan.
- Provide \$5.5 million in funding for Children, Youth, and Family Programs, including youth employment, skills center funding, and reentry programming, to continue the program to train and employ disadvantaged persons for construction and maintenance of sidewalks, and to expand the program to include other entry level positions in other City Departments.
- Development of a Youth Master Plan.
- Continue the City's focus on economic development and sustainability.

Economic Outlook

The primary challenge facing the City of Little Rock remains providing a full complement of services that satisfy the needs of citizens in the midst of an uncertain, but stabilizing, economic climate.

The latest comparative figures for the City of Little Rock show unemployment at 5.9%, compared with a U.S. average of 6.2%, according to data from the United States Department of Labor, seasonally adjusted for local figures by Metroplan. Per Metroplan, the United States economy is gaining strength, the prospect for Central Arkansas is steady; however, local growth has lagged the U.S average during the four (4)-year period from 2011-2014. According to Metroplan, the City of Little Rock had approximately 6,300 unemployed residents as of December, 2012. This number had decreased to about 4,700 unemployed residents by December, 2014, representing a decline of 25% in two (2) years. Little Rock remains a vital employment center, accounting for approximately 53% of all jobs, by place of work, in the Little Rock-North Little Rock metropolitan areas. A large component of the City's workforce is in the areas of health care, education and public administration. These sectors are less vulnerable to national employment trends.

The Metroplan economic report for early 2015 states that figures from the Arkansas Department of Finance and Administration demonstrate that Little Rock's retail sales are diverse, spread across many sectors. The top three (3) sectors include "other general merchandise stores, full-service restaurants, and grocery stores, accounting for approximately 26% of all retail sales. However; at the same time, U.S. Internet sales continued rapid growth accounting for 6.6% of all retail sales. Internet sales have an advantage over local retailers in Arkansas and other states that are unable to collect Sales and Use Tax on online sales. The City is supportive of the Market Place Fairness Act before Congress, which would enable municipalities to collect sales tax from retailers that do not have a physical presence in the State. With sales tax as the primary revenue source for the City of Little Rock, this legislation is critical to retaining the resources required to sustain local services. While State Law requires that citizens prepare use tax returns for such purchases, this method is very ineffective.

The regional housing market has seen less growth than the U.S. average over the last several years; however, Little Rock has fared better than the regional average. Single-family housing permits began to rebound during 2012, moving to an average of thirty (30) monthly; the highest level since 2008, and were nearing an average of forty (40) units per month by the end of 2014. Multi-family housing construction has increased in relation to single-family permits, growing from a 32% share of new housing units to 57% of new housing units in 2014. On August 1, 2013, Moses Tucker Real Estate announced plans to redevelop the old Arkla Gas Building in Downtown Little Rock, converting it into upscale apartments by spring 2015. The \$13 million project will be called MacArthur Commons and will include eighty-four (84) units at the corner of East Capitol and River Market Avenues. In addition, a

new complex is coming to the South Main District in Downtown Little Rock. The South Village Apartments at Quapaw at 1301 Louisiana Street will feature sixteen (16), one (1) and two (2)-bedroom apartments. The \$2 million project will provide additional living units in downtown while retaining the historic architectural integrity of the area.

Commercial property construction continues to show strong growth. One of the most exciting developments is the new Bass Pro Shop that opened in Little Rock on November 13, 2013. The 120,000 square-foot location is at Little Rock's Gateway Town Center, a 169-acre project at the northwest corner of Interstates 30 and 430 in Southwest Little Rock. In addition, construction began on an outlet mall at the same location with approximately seventy-five (75) retail stores, bringing approximately 1,000 jobs to the area. Outlet shopping centers are unique and traditionally become destinations and magnets for retail activity. The grand opening is anticipated in October 2015. Recently, *Arkansas Business* reported that a thirty-three (33)-acre piece of the Gateway Town Center development is poised to add additional commercial construction in 2015. The Gateway's Grove Project is envisioned to become an entertainment district with hotels, restaurants and other attractions.

In July 2014, the Robinson Center Music Hall in Downtown Little Rock was temporarily closed for a \$68 million renovation project. The building will increase from 133,500 square-feet to 138,000 square-feet. The overhaul includes restoring the exterior, re-working audience entrances, improving performance hall acoustics and seating, upgrading the loading area and building a new conference center and grand hall on the north side of the performance hall. The upgrades are expected to be completed by 2016.

In September, Dassault Falcon Jet broke ground on a \$60 million expansion of its private jet finishing plant at the Little Rock airport. The expansion will retain 400 positions in Little Rock. The expansion will add 250,000 square-feet to Dassault's site and bring the plant's total area to 1.25 million square-feet.

In November 2014, Entergy Corporation broke ground on a new \$23 million center in Little Rock. The 25,000 square-foot building will be a transmission operations center in Southwest Little Rock, located at 13019 Vimy Ridge Road.

In December 2014, *Arkansas Business* reported a 311,684 square-foot FedEx Corporation Distribution Center to be located in Southwest Little Rock. The \$24.9 million project is forecast to take a year and will involve a new street, Industry Parkway, which will link with Alexander Road.

The City's long-term outlook remains bright; most indicators continue showing competitive advantages in the local metropolitan area. Job losses in some sectors have been balanced, even in recession, by gains in areas with future potential. As

indicated above, economic projects are in development in all areas of the City – from Downtown, to Midtown, Southwest Little Rock and West Little Rock.

Little Rock's strong business environment and quality of life have been recognized by several national publications. In July 2013, Little Rock was named "#1 of America's 10 Great Places to Live" by *Kiplinger's Personal Finance*. The rankings place an emphasis on small and mid-size cities, considering metro areas with a population of one million or less that have good jobs, reasonably priced homes, decent schools and access to great health care. Little Rock is very proud of this ranking.

In January 2014, *Arkansas Business* reported that the University of Arkansas Fay Jones School of Architecture and Marlon Blackwell Architect of Fayetteville won a 2014 Honor Award from the American Institute of Architects for the Little Rock Main Street Creative Corridor Plan. The plan will retrofit a four (4)-block area of Main Street by utilizing economic development focused on cultural arts rather than a traditional retail base. The Arkansas Symphony Orchestra, Ballet Arkansas and the Arkansas Repertory Theatre plan to occupy rehearsal and creative space in the corridor.

In June 2014, *Arkansas Business* reported that the American Council for an Energy-Efficient Economy will bring its 2015 National Conference on Energy Efficiency as a Resource to the Statehouse Convention Center in September 2015. The biennial event, which the Arkansas Economic Development Commission (AEDC) calls one of the premier conferences on the role of energy efficiency as a utility system resource, was first held in 2001 and will be making its first trip to Arkansas.

In addition, Little Rock was recently listed as No. 3 Best State Capital by *USA Today Readers; Choice 10 Best*. The article had this to say about Little Rock, "A downtown renaissance has transformed Little Rock into a city with culture, cuisine and abundant outdoor activities. Visitors can rent a bike and pedal the sixteen (16)-mile loop along the Arkansas River Trail, visit the Clinton Presidential Center and the Little Rock Central National Historic Site, a National Park Service unit that interprets the crucial role played by the school in the civil rights struggle." The article may be found at (<http://www.10best.com/awards/travel/best-travel-worthy-state-capital/>)

The City will continue to identify economic development opportunities that result in the expansion, retention or start-up of businesses that create jobs and generate sales tax, property tax or other forms of revenue for the City. \$38,000,000, or 19.4%, of the revenue anticipated from the three-eighths (3/8)-cent sales tax for capital projects is dedicated to jobs and economic development over the next seven (7) years. The funds will be utilized for port expansion, development of a research park, and job recruitment and economic development infrastructure.

Closing: This budget is the financial and operating plan for the City of Little Rock for 2015. The appropriations included provide for quality municipal services.

I want to recognize the many members of our City Staff that are actively serving in our nation's military and acknowledge the additional hours and duties the Department Staff may be undertaking in their absence. To all of you, thank you for your service.

The City of Little Rock has made great strides in the utilization of technology to communicate with local citizens and businesses. The City's website, www.littlerock.org, is among the best and will continue to improve communication efforts. In addition, the City is proud of our local government access channel LRTV, which broadcasts information regarding the activities of the Little Rock City Board of Directors through live and taped coverage of City Board Meetings and other official proceedings; and produces programming regarding municipal affairs. There is a mobile app to enable citizens to access City services available for download through the App Store or Google Play Store.

The City has seen great progress over the past years with more to come in 2015 and beyond as the Mayor, City Board of Directors and City Staff continue to offer vital services to the citizens of Little Rock. And finally, a very special "Thank You" to the citizens of Little Rock. We strive every day to serve you to the best of our collective abilities.

Respectively submitted,



Bruce T. Moore
City Manager