

**OFFICE OF THE CITY MANAGER
LITTLE ROCK, ARKANSAS**

**BOARD OF DIRECTORS COMMUNICATION
OCTOBER 5, 2021 AGENDA**

<p>Subject:</p> <p>Authorization to Adjust the Fiscal Year 2021 Budget for Changes to the General, Street, Fleet, Vehicle Storage, Waste Disposal and Parking Garage Funds.</p> <p>Submitted By:</p> <p>Finance Department</p>	<p>Action Required:</p> <p style="text-align: center;">√ Ordinance Resolution</p>	<p>Approved By:</p> <p style="text-align: right;">Bruce T. Moore City Manager</p>
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SYNOPSIS

Twenty-one (21) adjustments need to be made to the 2021 Budget to adjust for changes in anticipated revenues and expenditures.

FISCAL IMPACT

Adjustment	Revenue	Expenditure	Net
General Fund:			
1. Revenues	\$13,867,638		\$13,867,638
2. Pension Pass-Thru	190,443	190,443	0
3. Personnel Cost		4,634,695	(4,634,695)
4. Outside Agency Contributions		225,000	(225,000)
6. Transfers Out		874,000	(874,000)
5. Operating Expenses		5,852,260	(5,852,260)
7. Vacancy Savings & Vacation/Sick Allocation		0	0
8. Increase to Restricted Revenue		0	0
General Fund Amendment	\$14,058,081	\$11,776,398	\$2,281,683
2021 Adopted	210,100,969	210,100,969	0
General Fund Amended Total	<u>\$224,159,050</u>	<u>\$221,877,367</u>	<u>\$2,281,683</u>

**FISCAL IMPACT
CONTINUED**

Adjustment	Revenue	Expenditure	Net
Street Fund:			
9. Revenue	\$2,249,250		\$2,249,250
10. Transfers In	0		0
11. Transfers Out		637,750	(637,750)
Street Fund Amendment	2,249,250	\$637,750	\$1,611,500
2021 Adopted	21,279,119	21,279,119	0
Street Fund Amended Total	<u>\$23,528,369</u>	<u>\$21,916,869</u>	<u>\$1,611,500</u>
Fleet Fund:			
12. Revenue	(\$700,000)		(\$700,000)
13. Personnel Cost		(350,000)	350,000
14. Operating Expenses		(225,000)	225,000
15. Transfers Out		738,000	(738,000)
Fleet Fund Amendment	(\$700,000)	\$163,000	(\$863,000)
2021 Adopted	13,390,623	13,390,623	0
Fleet Fund Amended Total	<u>\$12,690,623</u>	<u>\$13,553,623</u>	<u>(\$863,000)</u>
Vehicle Storage Fund:			
16. Revenue	\$300,000		\$300,000
17. Operating Expenses		0	0
Vehicle Storage Fund Amendment	\$300,000	\$0	\$300,000
2021 Adopted	1,759,847	1,699,157	60,690
Vehicle Storage Fund Amended Total	<u>\$2,059,847</u>	<u>\$1,699,157</u>	<u>\$360,690</u>
Waste Disposal Fund:			
18. Revenues	(\$306,450)		(\$306,450)
19. Personnel Cost		125,000	125,000
20. Operating Expenses		(431,450)	(431,450)
Waste Disposal Fund Amendment	(\$306,450)	(\$306,450)	\$0
2021 Adopted	23,671,871	23,671,871	0
Waste Disposal Fund Amended Total	<u>\$23,365,421</u>	<u>\$23,365,421</u>	<u>\$0</u>

**FISCAL IMPACT
CONTINUED**

Parking Garage Fund:			
21. Revenues	<u>(\$311,597)</u>	<u>0</u>	<u>(\$311,597)</u>
Parking Garage Fund Amendment	(\$311,597)	0	(\$311,597)
2021 Adopted	2,507,462	\$1,760,887	746,575
Waste Disposal Fund Amended Total	<u>\$2,195,865</u>	<u>\$1,760,887</u>	<u>\$434,978</u>
Total All Funds	<u>\$287,999,175</u>	<u>\$284,173,324</u>	<u>\$3,825,851</u>

Details for the above adjustments are included in the background below:

RECOMMENDATION

Approval of the ordinance.

BACKGROUND

Each year, the Board considers adjustments to the Adopted Budget. Twenty-one (21) adjustments should be made to the FY21 Budget to reflect changes to the General Fund, Street Fund, Fleet Fund, Vehicle Storage Fund Waste Disposal Fund and Parking Garage Fund that have occurred since the adoption of the 2021 Budget in Ordinance No. 21,946, which was passed on December 29, 2020.

1. Budget Adjustments for General Fund Revenues: General Fund revenues will be adjusted based on year-to-date actual results and projections through year-end. The property tax adjustment is primarily due to the inclusion of 2020 Excess Commissions received from the County in March 2021. The sales tax adjustment reflects actual receipts through September (July revenues) and assumed growth of 5% for the remainder of the year, excluding the unusual results in the NAICS Category *Iron, Steel, and Ferroalloy Manufacturing* which is likely subject to rebate over the next six (6) – twelve (12) months. Increases are primarily attributed to growth in internet sales, and the reopening of restaurants, bars, and other businesses after prior year COVID closures. Licenses and permits will increase primarily associated with an increase in business licenses and mixed drink supplemental revenues associated with the reopening of restaurants and bars. Charges for services reflects increases in Zoo and Golf revenues, partially offset by decreases in Parks, River Market, and Jim Dailey Fitness revenues, which have been slower to recover from COVID closures and operating restrictions.

**BACKGROUND
CONTINUED**

Franchise Fees will increase, due primarily to increased collection of delinquent water and water reclamation accounts, and the very cold weather which increased gas revenues in the first quarter. Fines and fees, miscellaneous revenues, and investment income will decrease from the adopted budget. Interest rates are at historic lows.

Property Taxes	\$810,090
Sales and Use Tax	12,048,801
Licenses and Permits	232,200
Intergovernmental Revenues	41,975
Charges for Services	
Parks	(190,950)
River Market	(61,228)
Golf	246,800
Jim Dailey Fitness and Aquatics	(159,500)
Little Rock Zoo	910,375
Police Services and False Alarms	(167,000)
Fines and Fees	(140,825)
Franchise Fees	458,000
Miscellaneous	81,100
Investment Income	(80,000)
Net increase to General Fund Revenues	<u>\$13,867,638</u>

2. Adjust to the General Fund for Changes in Revenue and Expenses Dedicated to the Local Police and Fire Pension Plans: An adjustment to reflect the increase in the budget for the dedicated 1 mil property tax levies due to the timing of receipt of 2020 Excess Commissions, the decrease in the annual Intergovernmental Pension Turnback Funds received in July, the decrease in other dedicated Police Pension revenues, and for the corresponding contributions to the Police and Fire Pensions. These revenues are dedicated to the closed Police and Fire Pension Funds and are directly offset by a net increase in the pension contributions to those plans.

Revenues:

Pension Property Tax Levies	\$325,302
Intergovernmental – Insurance Turnback	(28,159)
Miscellaneous Pension Revenues	<u>(106,700)</u>
	<u>\$190,443</u>

Expenses:

Fire – Pension Contribution	150,903
Police – Pension Contribution	<u>39,540</u>
	<u>\$190,443</u>

Net Impact to General Fund **\$0**

**BACKGROUND
CONTINUED**

3. Adjust personnel cost for an increase in workers compensation premiums and other post-employment benefits (OPEB); Emergency Management, equity adjustments in Housing and Neighborhood Programs for Code Enforcement Officers, Seniors, and Supervisors; a reduction in Parks part-time and over-time expenditures; an increase in Golf part-time expenditures; an increase in Fire overtime; and adjustments to the Vacation/Sick Leave and Vacancy Savings allocations: Workers' compensation is 30% above budget through August. OPEB is based on the most recent actuarial analysis. Salaries were increased in Code Enforcement to improve recruiting and retention. Parks part-time and over-time was reduced due to the delay in the reopening of programs due to the ongoing impact of COVID. Golf part-time increases are more than offset by increased revenues at both courses. Fire personnel expenses are 8.5% above budget through August. Overtime increased due to higher than expected turnover and COVID related absences. Seven (7) retirements were anticipated; however, thirty-four (34) have left service year-to-date, with five (5) more retirements expected by year-end.

Expenses:

Workers' Compensation and OPEB	\$833,095
Emergency Management	60,000
Housing & Neighborhood Programs	175,000
Parks and Recreation Part-Time	(264,500)
Golf Part-Time and Overtime	76,100
Fire Overtime and Other Personnel Cost	3,755,000
Vacation/Sick Leave Payouts	1,000,000
Increase in Vacancy Savings	<u>(1,000,000)</u>
Net increase to General Fund Expenses	<u>\$4,634,695</u>

4. Adjust the General Fund for an Increase in Outside Agency Contributions: The Board approved an allocation to Oakland Cemetery of \$50,000 (Resolution No. 15,380, on January 19, 2021) for cemetery maintenance. In addition, the Board approved an additional allocation of \$175,000 to Museum of Discovery (Resolution No. 15,475 on June 15, 2021) for mold remediation due to flooding caused by damage from the February 2021 snowstorm.

Expenses:

Oakland Cemetery	\$50,000
Museum of Discovery	<u>175,000</u>
Net Increase to General Fund Expenses	<u>\$225,000</u>

**BACKGROUND
CONTINUED**

5. Adjust the General Fund for additional operating expenses associated with the annual Property and Liability Insurance renewal; a distribution to the Little Rock Port for land acquisition; equipment and supplies for LRTV to accommodate remote meetings; enhancements to the 311 App and land improvements for Housing & Neighborhood Programs; Parks land maintenance; Golf Operating Expenses and merchandise for the pro-shop; and Zoo maintenance and merchandise for the gift shop: The Board approved the property and liability insurance renewal (Resolution No 15,476 on June 15, 2021). The enhancements to the 311 App will accommodate additional interfaces. The Housing land improvements will include fencing and parking pads to protect Code Enforcement vehicles at the Oak Forest, West Central, and Valley Drive Neighborhood Resource Centers. The increase in Parks maintenance is offset by the part-time personnel cost reductions above. Increased Golf operating expenses are more than offset by the increase in Golf revenues. The Zoo maintenance increase restores the reduction included in the 2021 Adopted Budget. Zoo revenues are recovering more quickly than anticipated.

Expenses:

Executive Administration – Property Insurance	\$90,460
Executive Administration – Port Land	5,000,000
Executive Administration – LRTV	15,000
Housing & Neighborhood Programs	77,000
Parks – Land Maintenance	264,500
Golf – Operating Expenses and Pro-Shop	80,300
Zoo – Maintenance and Gift-Shop Merchandise	<u>325,000</u>
Net Increase to General Fund Expenses	<u>\$5,852,260</u>

6. Increase in Transfers Out to provide funding for the buildout of the 1st floor of the 12th Street Station; fund the City’s share of the Federal Consultant Contract; and provide Emergency Housing Services for the homeless and victims of Hurricane Ida: The City has already set aside \$750,000 for buildout of the 1st floor of the 12th Street Station. An additional \$750,000 will be needed due to an increase in material cost due to the pandemic. Costs will be recouped with lease payments from the occupants over time. The Board approved the joint contract with the Little Rock Port Authority, Little Rock Water Reclamation Authority and the Bill and Hillary Clinton Airport for Federal Consulting services (Resolution 15,441 on April 20, 2021). The allocation for Emergency Housing Services for the homeless was utilized during the February 2021 snowstorm and for victims of Hurricane Ida that sought shelter in Little Rock.

**BACKGROUND
CONTINUED**

Transfers Out:

12 th Street Station – 1 st Floor Buildout	\$750,000
Federal Consultant – City’s Share	24,000
Homeless Emergency Services/Housing	<u>100,000</u>
Increase to Transfers Out	<u>\$874,000</u>

7. Allocate Vacancy Savings and Sick/Vacation Payouts experienced through July 31, 2021:

Note: Vacancy savings and vacation/sick payouts are allocated monthly based on actual savings and retirements/separations from service. The table below reflects the allocations through July 31, 2021, and other personnel adjustments included in the budget amendment. Additional allocations will be made monthly through year-end.

	<u>Vacancy Savings</u> 7/31/21	<u>Vac/Sick Payouts</u>	<u>Total</u>	<u>Original Personnel Budget</u>	<u>Additional Vacancy Savings/Payouts/Pension</u>	<u>Other</u>	<u>Amended Personnel Budget</u>
General Government	(\$183,966)	(\$1,479,977)	(\$1,663,943)	\$8,505,946	\$1,000,000	\$893,095	\$8,735,098
Board of Directors	(2,199)	4,132	1,933	289,006		0	290,939
Community Programs	0	0	0	451,882		0	451,882
City Attorney	(68,171)	5,528	(62,643)	1,508,421		0	1,445,778
District Court - Criminal	(64,952)	13,705	(51,247)	1,202,320		0	1,151,073
District Court - Traffic	(6,628)	0	(6,628)	1,007,867		0	1,001,239
District Court - Environmental	(5,998)	2,266	(3,732)	442,137		0	438,405
Finance	(4)	13,520	13,516	3,368,952		0	3,382,468
HR	(74,000)	37,128	(36,872)	1,689,588		0	1,652,716
IT	(208,910)	77,627	(131,283)	3,829,446		0	3,698,163
Planning and Development	(246,911)	10,585	(236,326)	2,480,001		0	2,243,675
Housing & Neigh. Programs	(646,042)	14,441	(631,601)	4,650,453		175,000	4,193,852
Public Works	0	0	0	716,364		0	716,364
Parks & Recreation	(603,746)	4,808	(598,938)	6,534,321		(264,500)	5,670,883
RiverMarket	0	0	0	400,203		0	400,203
Golf	(15,506)	24,003	8,497	954,095		76,100	1,038,692
Fitness	(40,202)	884	(39,318)	550,553		0	511,235
Zoo	(250,465)	3,069	(247,396)	4,166,661		0	3,919,265
Fire	(466,082)	672,847	206,765	49,541,911	150,903	3,755,000	53,654,579
Police	(3,102,854)	595,434	(2,507,420)	73,311,025	39,540	0	70,843,145
Vacancy Savings	5,986,636	0	5,986,636	(6,000,000)	(1,000,000)		(1,013,364)
	\$0	\$0	\$0	\$159,601,152	\$190,443	\$4,634,695	\$164,426,290

**BACKGROUND
CONTINUED**

8. Increase the Restricted Reserve by \$1 Million Dollars: The City will increase the restricted reserve from \$10 million to \$11 million. The adjustment is a transfer from fund balance to the Restricted Reserve. It does not impact the current operating budget.

Street Fund Adjustments:

9. Adjust the Street Fund for Changes in Projected Revenues: Increase property tax revenues for the 2020 Excess Commissions received in March 2021. Increase the State Turnback funds based on year-to-date revenues and projected revenues through the end of the year. Reduce investment income due to historically low interest rates.

Property Taxes	\$356,400
State Gas Turnback	2,017,600
Miscellaneous Revenues	9,500
Investment Income	<u>(134,250)</u>
Net increase to Street Fund Revenue	<u>\$2,249,250</u>

10. Reclassify Transfers In: Reclassify the health insurance premium holiday carryover from Transfers In to Carryover-Prior year.

Transfers In	(\$82,456)
Carryover-Prior Year	<u>82,456</u>
Net impact	<u>\$0</u>

11. Adjust Street Fund Transfers Out to reflect funds set aside for various Street projects that have occurred since the budget was adopted:

Complete Streets Match	\$50,000
Vimy Ridge Water Improvement Drainage Project	92,750
Southeast Trail Project in Partnership with Pulaski County	325,000
Riverfront Drive Emergency Repair	<u>170,000</u>
Net increase to Street Fund Transfers Out	<u>\$637,750</u>

Fleet Fund Adjustments:

12. Adjust Fleet Fund Revenues for a decrease in labor and parts billings to internal customers:

Fleet Labor	(\$550,000)
Fleet Parts	<u>(150,000)</u>
Net Decrease to Fleet Fund Revenues	<u>(\$700,000)</u>

**BACKGROUND
CONTINUED**

13. Adjust the Fleet Fund for a reduction in personnel costs associated with vacant positions:

Fleet Personnel Cost	<u>(\$350,000)</u>
Decrease to Fleet Fund Personnel Cost	<u>(\$350,000)</u>

14. Adjust Fleet Operating Expenses based on actual experience:

Land Maintenance	\$300,000
Parts	(200,000)
Contracts – Engines, Drivelines, etc.	(350,000)
Depreciation Expense	<u>25,000</u>
Decrease to Fleet Fund Expenses	<u>(\$225,000)</u>

15. To adjust Fleet Fund Transfers Out to fund Police Vehicle upfit charges for twenty-six (26) Patrol Vehicles:

Increase Transfers out for Vehicle Upfit	<u>\$738,000</u>
Increase to Fleet Transfers Out	<u>\$738,000</u>

Vehicle Storage Fund Adjustments:

16. To adjust Vehicle Storage Revenues for increased vehicle auction sales, and to reclassify the carryover of savings from the 2020 Health Insurance premium holiday from Transfers In to Carryover-Prior Year:

Auction sales	\$300,000
Transfers In	(5,887)
Carryover – Prior Year	<u>5,887</u>
Increase to Vehicle Storage Revenues	<u>\$300,000</u>

17. To adjust Vehicle Storage Operating Expenditures:

Towing Expenses	(\$100,000)
Land Maintenance	<u>100,000</u>
Net Impact to Vehicle Storage Operating Expenses	<u>\$0</u>

Waste Disposal Fund Adjustments:

18. To adjust Waste Disposal Revenues for changes since adoption of the budget, including a decrease in landfill fees associated with a temporary loss of customers during construction of the new cell; to reduce investment income due to historically low interest rates; to reflect an increase to miscellaneous revenues from the auction of Waste Disposal vehicles and equipment; and to reclassify the carryover of savings from the 2020 health insurance premium holiday from Transfers In to Carryover-Prior Year:

**BACKGROUND
CONTINUED**

Sanitation Fees	(\$219,000)
Landfill Fees	(301,000)
Yard Waste & Compost	(18,100)
Miscellaneous – Auction Proceeds	302,500
Investment Income	(70,850)
Transfers In	(55,596)
Carryover – Prior Year	<u>55,596</u>
Net Decrease to Waste Disposal Revenues	<u>(\$306,450)</u>

19. To adjust personnel cost for an increase to workers' compensation premiums:

Workers' Compensation	<u>\$125,000</u>
Increase to Waste Disposal Personnel Cost	<u>(\$125,000)</u>

20. To adjust Waste Disposal operating expenses, post closure expense, and depreciation.

Diesel Fuel	(\$56,450)
Supplies – Uniforms	(25,000)
Fleet Variable Maintenance	(450,000)
Post Closure	30,000
Depreciation	<u>70,000</u>
Decrease to Waste Disposal Operating Expenses	<u>(\$431,450)</u>

Parking Garage Fund Adjustments:

21. To adjust the Parking Garage Fund for changes in projected revenues due primarily to the ongoing impact of COVID-19:

Business License Revenues - Taxis	(\$76,837)
Decrease in Street Cut Repairs	(83,350)
Decrease in Parking Meter Revenues	(44,725)
Decrease in Convention Center and Surface Lot Parking	(99,100)
Increase in River Market Parking	4,750
Investment Income	<u>(12,335)</u>
Net Decrease to Parking Garage Revenues	<u>(311,597)</u>