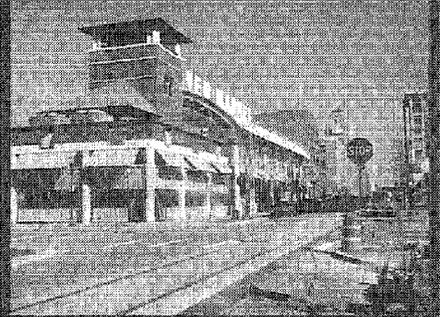
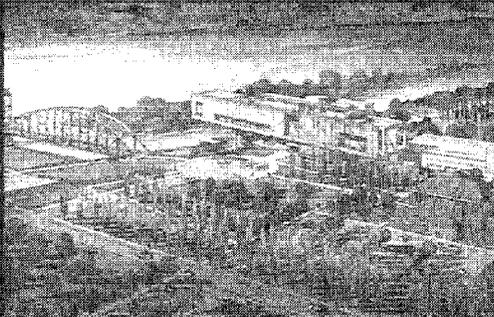
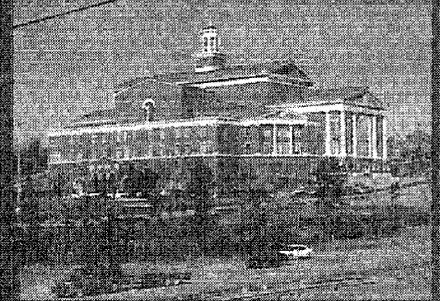
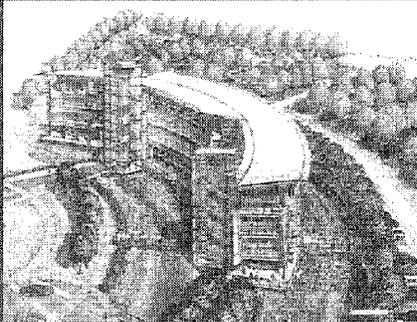
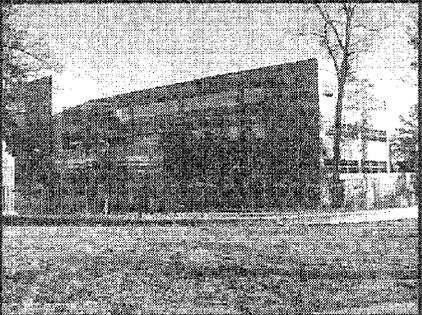
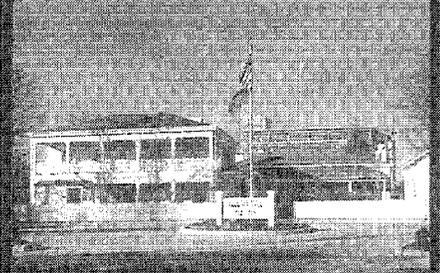
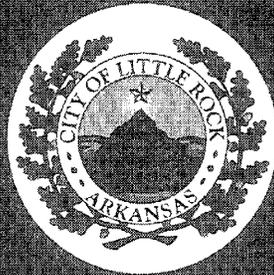
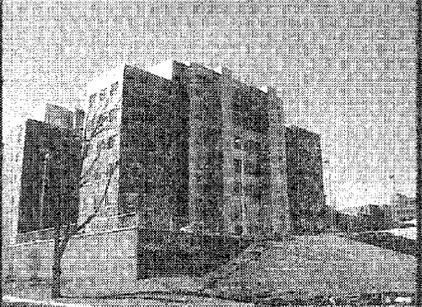
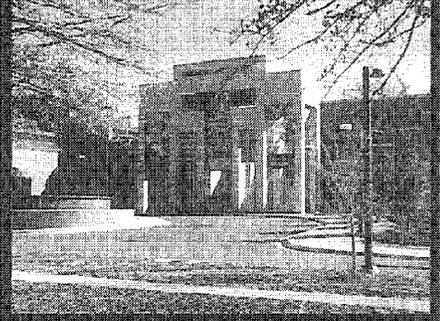
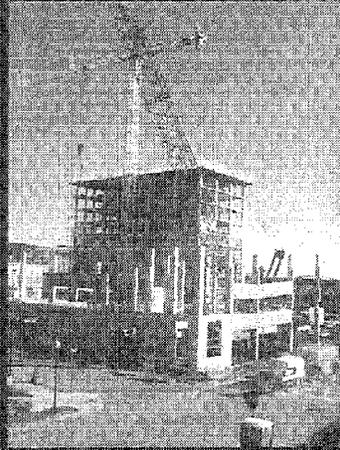
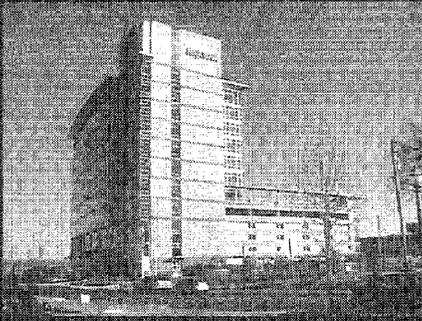


# 2004 ANNUAL OPERATING BUDGET CITY OF LITTLE ROCK, ARKANSAS



**“CONTINUING THE PROGRESS”**

## Cover Pictures

<p style="text-align: center;"><b>Acxiom Corporation</b></p> <p>Founded in 1969, Acxiom is headquartered in Little Rock. It has locations throughout the United States, and in the United Kingdom, France, Australia, and Japan.</p> <p>Acxiom creates and delivers customer and information management solutions.  <a href="http://www.acxiom.com">www.acxiom.com</a></p>	<p style="text-align: center;"><b>First Security Center</b></p> <p>Located in the River Market District, the \$23 million, 14-story First Security Center will be a mixed-use building containing a 120-room hotel, office space and 24 luxury condominiums on the top 4 floors. It will bring 200 employees to the downtown area.  <a href="http://www.mosestucker.com/fsc.html">www.mosestucker.com/fsc.html</a></p>	<p style="text-align: center;"><b>Arkansas Arts Center</b></p> <p>The Arkansas Arts Center is a museum of art and an active center for the visual and performing arts. As the state's largest cultural institution, it presents diverse cultural offerings; promotes growth and understanding of the arts; and provides inspiration to those it educates.  <a href="http://www.arkarts.com">www.arkarts.com</a></p>
<p style="text-align: center;"><b>Biomedical Research Center</b> Univ. of Arkansas for Medical Sciences</p> <p>The University of Arkansas for Medical Sciences had an economic impact of approximately \$3.8 billion on the state's economy in Fiscal Year 2003. With its affiliates where College of Medicine physicians and faculty provide clinical care, perform research and teach, UAMS' total expenditures were about \$1.27 billion.  <a href="http://www.uams.edu">www.uams.edu</a></p>	<p style="text-align: center;"><b>Seal of the City of Little Rock Arkansas</b></p> <p>Founded in 1835, Little Rock is the capital city of Arkansas. It is the center of the financial, government, and cultural sectors of the state. The population in 2000 was 183,333.  <a href="http://www.accesslittlerock.org">www.accesslittlerock.org</a></p>	<p style="text-align: center;"><b>Little Rock Visitors Center</b></p> <p>Built in 1842, Curran Hall has recently undergone a \$1.4 million restoration. It has been transformed into a visitor's center operated daily from 8 a.m. to 6 p.m. by the Little Rock Convention and Visitors Bureau. It offers visitors a place to find information about all Little Rock has to offer, as well as points of interest throughout Arkansas.  <a href="http://www.littlerock.com">www.littlerock.com</a></p>
<p style="text-align: center;"><b>Donald W. Reynolds Center for Business and Economic Development</b> University of Arkansas at Little Rock</p> <p>The 98,700 square foot, four-story structure houses College of Business academic programs, the Arkansas Small Business Development Center, and the Institute for Economic Advancement. It has 150 offices, an auditorium, library, classrooms, and conference rooms.  <a href="http://cba.ualr.edu">http://cba.ualr.edu</a></p>	<p style="text-align: center;"><b>Heifer International</b> (Art courtesy of Heifer International)</p> <p>Heifer International's headquarters is now under construction adjacent to The Clinton Presidential Library. Heifer has a unique and successful approach to ending hunger and poverty. Since 1944, Heifer has provided food- and income-producing animals and training to millions of resource-poor families in 115 countries.  <a href="http://www.heifer.org">www.heifer.org</a></p>	<p style="text-align: center;"><b>Immanuel Baptist Church</b></p> <p>After more than a century in downtown Little Rock, Immanuel Baptist Church recently relocated to west Little Rock with the opening of its new \$40M facility. It contains space for learning, music, fitness, and social gatherings.  <a href="http://www.immanuel-baptist.org">www.immanuel-baptist.org</a></p>
<p style="text-align: center;"><b>River Rail Streetcar Project</b></p> <p>In mid-2004, streetcars will once again glide over tracks in the downtowns of Little Rock and North Little Rock. Phase One will open with three trolleys operating on 2.1 miles of new track. Note tracks to right in River Market picture.  <a href="http://www.cat.org/rrail/index.html">www.cat.org/rrail/index.html</a></p>	<p style="text-align: center;"><b>Clinton Presidential Library</b> (Artist's Rendering)</p> <p>The William J. Clinton Presidential Center will be located within a new 27-acre city park along the south bank of the Arkansas River in Little Rock. The Clinton Presidential Center will include the Presidential Library and Archives, the renovation of the abandoned Rock Island Railroad Bridge as a pedestrian crossing and adaptive reuse of historic Choctaw Station, built in 1899.  <a href="http://www.clintonpresidentialcenter.com">www.clintonpresidentialcenter.com</a></p>	<p style="text-align: center;"><b>River Market</b></p> <p>The River Market opened in Little Rock, AR on July 5, 1996. Major elements of the River Market District include: the Central Arkansas Main Public Library, the Arkansas Museum of Discovery, several restaurants/bars, specialty retail stores, residential living, Julius Breckling Riverfront Park, and the River Market.  <a href="http://www.rivermarket.info/.com/">www.rivermarket.info/.com/</a></p>

# City of Little Rock

## 2004 Annual Operating Budget

Bruce T. Moore  
City Manager

Prepared by:  
Department of Finance

Robert K. Biles, Director

LaVerne DuVall, Budget Officer

## **MANAGEMENT TEAM**

Bruce More

City Manager

Bob Turner

Assistant City Manager

Dorothy Nayles

Director of Community Programs

Tom Carpenter

City Attorney

Lee Munson

District Court First Division Judge

Victor Fleming

District Court Second Division Judge

David Stewart

District Court Third Division Judge

Robert K. Biles

Director of Finance

Don Flegal

Director of Human Resources

Bob Hambuchen

Director of Information Technology

Jim Lawson

Director of Planning & Development

Tony Bozynski

Director of Housing & Neighbor Programs

Guy Lowes

Director of Public Works

Bryan Day

Director of Parks & Recreation

Rhoda Kerr

Fire Chief

Lawrence Johnson

Police Chief

Mike Blakely

Director of Zoo

Wendell Jones

Director of Fleet Services

### **Budget Report Production, Analyst and Graphics**

LaVerne DuVall

Budget Officer

Silas Roaf

Budget Management Analyst

## TABLE OF CONTENTS

<b>INTRODUCTION</b>	<b>Page</b>
Little Rock at a Glance.....	1
City of Little Rock Board of Directors.....	2
City of Little Rock Organizational Chart.....	3
City of Little Rock Operating Fund Structure.....	4
City Manager's Transmittal Letter.....	5
Overall City Goals and Objectives.....	11
 <b>THE BUDGET PROCESS</b>	
The General Government Budget Process.....	15
Amending the Budget.....	17
Budget Policies.....	17
Other Budget Procedures.....	18
 <b>FINANCIAL STRUCTURE</b>	
Little Rock's Financial Structure.....	21
Funds Controlled by the Governing Body.....	21
Fiscal Policies.....	24
Other Agencies.....	30
 <b>CAPITAL IMPROVEMENTS</b>	
Capital Improvements.....	33
 <b>DEBT MANAGEMENT</b>	
Debt Management.....	43
 <b>BUDGET SUMMARIES</b>	
Budget Summaries.....	47
Budget Summary by Fund Type.....	48
General Fund.....	49
Special Revenue Fund.....	50
Capital Fund.....	54
Proprietary Fund.....	57
Fiduciary Fund.....	64
Debt Service Fund.....	67
 <b>REVENUES</b>	
All Funds Operating Revenue Sources Graph.....	69
All Funds Operating Revenue Summary.....	70
General Fund Operating Graph.....	71
All Funds Operating Revenue Detail.....	72
Revenue Trends.....	77
2004 Operating Fund Budget Summaries.....	86

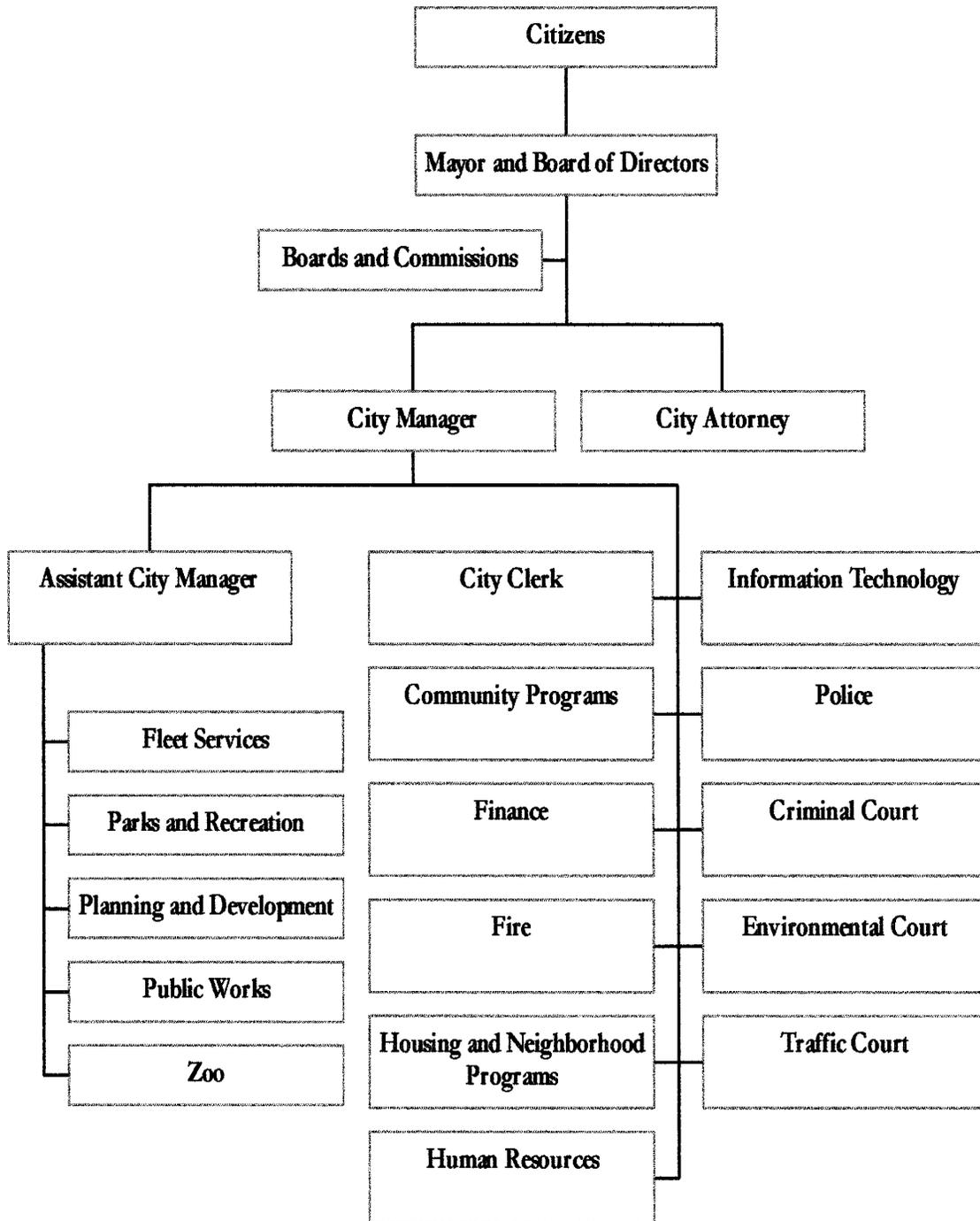
**EXPENDITURES**

All Funds Expenditures by Classification Graph ..... 87  
All Funds Department Budgets Summary ..... 88  
Summary of General Government Appropriations ..... 89  
General Fund Summary..... 90  
Operating Budget Detail..... 91  
Staffing Summaries..... 95  
FUTURE-Little Rock..... 98  
Other Budget Expenditures ..... 101  
Central Arkansas Transit Support ..... 102  
Service Program Graph ..... 103  
Service Program Category..... 104  
Departmental Programs  
    General Government and Administration..... 107  
    Mayor and Board of Directors ..... 115  
    City Manager ..... 119  
    Community Programs..... 127  
    City Attorney ..... 133  
    Cable TV ..... 139  
    District Court First Division ..... 143  
    District Court Second Division ..... 149  
    District Court Third Division..... 155  
    Finance ..... 159  
    Human Resources ..... 167  
    Information Technology..... 175  
    Planning and Development..... 183  
    Housing and Neighborhood Programs ..... 193  
    Public Works General & Street Fund..... 200  
    Waste Disposal Fund..... 215  
    Parks and Recreation..... 221  
    Golf..... 231  
    War Memorial Fitness Center..... 235  
    Concessions..... 239  
    River Market..... 243  
    Fire..... 247  
    Police..... 255  
    Zoo ..... 265  
    Fleet Internal Service Fund ..... 275  
    Impound Operations..... 283

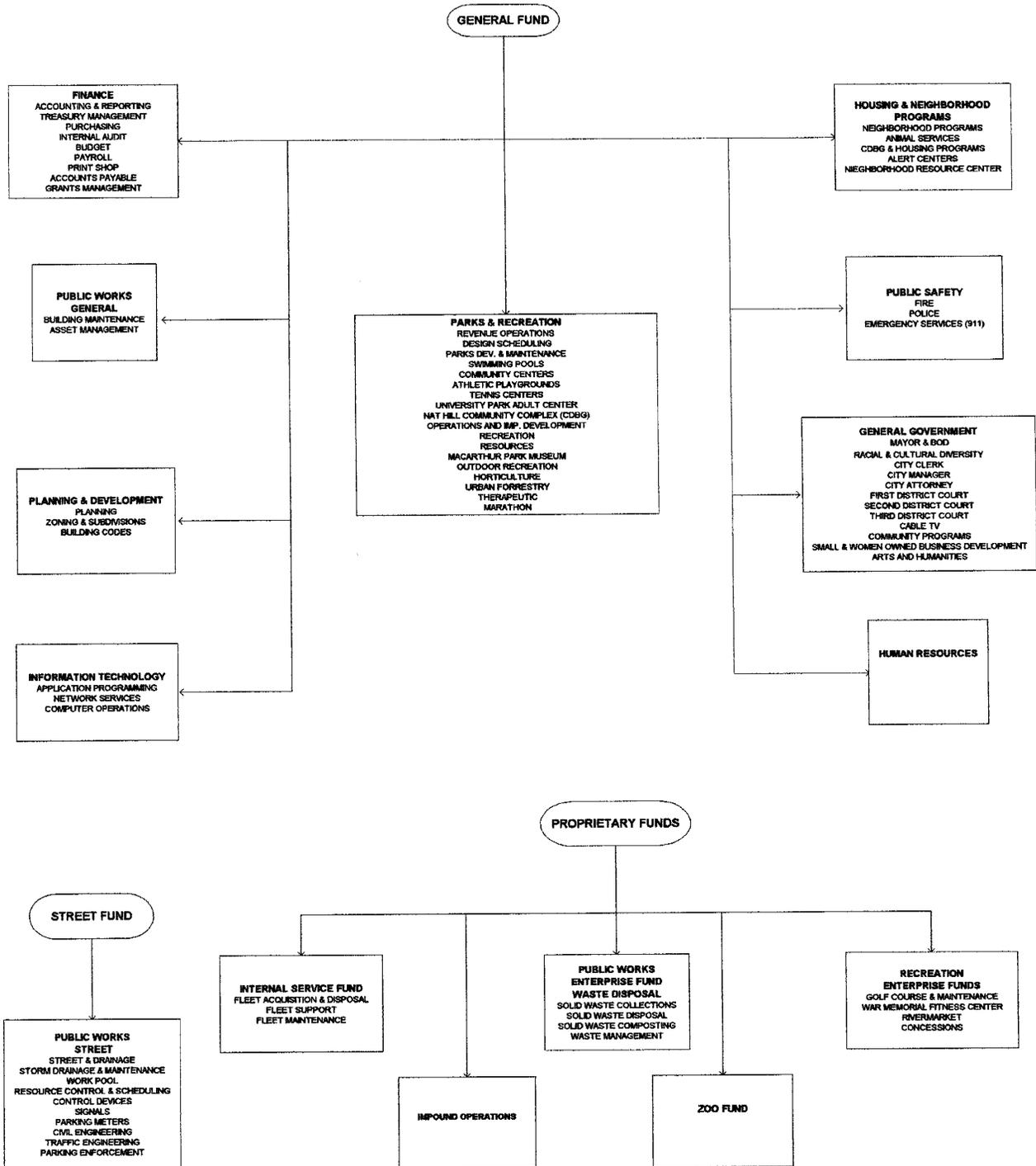
**APPENDIX**

State and City Budget Statutes ..... 287  
Statistical Information..... 291  
How to Use the Budget Document..... 296  
Five-Year Forecast ..... 300  
Glossary ..... 303

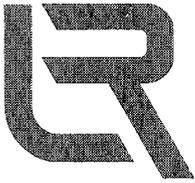
# City of Little Rock Organizational Structure



# CITY OF LITTLE ROCK OPERATING FUND STRUCTURE



Note: All departments include an administration section



**City of Little Rock**

Office of the  
City Manager

City Hall  
500 W. Markham  
Little Rock, Arkansas 72201  
(501) 371-4510  
FAX # (501) 371-4498

December 16, 2003

To the Honorable Mayor Jim Dailey  
and Members of the Board of Directors  
of the City of Little Rock

I respectfully submit the official Year 2004 Budget for the City of Little Rock that will “Continue the Progress” and build on the accomplishments and service improvement programs initiated last year. Overall expenditures total \$154,915,863, an increase of \$10,574,053 or 7.33 percent more than the 2003 adopted budget. The budget changes from Year 2003 are summarized below:

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>% Change</u>
General Fund	\$110,407,056	\$102,618,826	\$7,788,230	7.59%
Street Fund	13,634,950	13,353,090	281,860	2.11%
Waste Disposal Fund	14,821,280	14,003,435	817,845	5.84%
Fleet Services Fund	6,643,557	6,566,854	76,703	1.17%
Impound Fund	1,464,687	1,316,204	148,483	11.28%
Zoo Fund	3,375,695	3,119,794	255,901	8.20%
Golf Fund	2,478,096	1,761,306	716,790	40.70%
War Memorial Fitness Center Fund	1,063,249	783,936	279,313	35.63%
Concessions Fund	119,780	107,034	12,746	11.91%
River Market Fund	907,513	711,331	196,182	25.78%
Total	<u>\$154,915,863</u>	<u>\$144,341,810</u>	<u>\$10,574,053</u>	<u>7.33%</u>

The 2004 operating budget has been developed around common themes from the Mayor and Board of Director’s policy and priority areas. These strategic priority areas include: public safety, economic development, infrastructure, and quality of life issues.

**General Fund**

The 2004 Operating Budget includes several significant changes from the 2003 Operating Budget for the General Fund. The operating budget includes \$78,894,820 for Personal Service cost. This is a 4.9 percent increase over the revised 2003 Budget, with a 0.7 percent reduction of personnel. Materials and Supplies increased by 13.8 percent, contractual increased by 9.1 percent and transfers out by 8.8 percent.

The sales tax continues to be the leading revenue source for the City. The adopted budget for 2004 includes a projected 12 percent increase in sales tax collection over the 2003 budget. A national trend for municipalities in 2003 was a general reduction in sales

tax collections. The 2004 sales tax picture looks brighter for Little Rock because of an upturn in the local economy, which started in mid-2003. The City receives sales taxes from two local sources. The City of Little Rock's half-cent sales tax has grown 2.28 percent, and the one-cent county tax has grown 4.20 percent, in the last six months compared to same time period last year.

The use taxes from a Pulaski County one-cent sales tax of approximately \$3,000,000 per year has been placed in escrow since November 2002 until an appeal to the Arkansas Supreme Court is heard sometime in the first quarter of 2004. Although the use tax matter is not resolved, the City has included \$6 million dollars in the operating budget due to the probability of recovery.

Franchise fee payments will be lower in 2004. Entergy reduced rates by approximately 10 percent over the last year because of cheaper fuel costs. Payments from telecommunication companies have decreased due to increased competition from wireless companies. Franchise fees from Comcast Cable have stabilized and are projected to slightly decrease due to market saturation and increased competition from satellite service companies. While staff will continue to take a conservative approach in terms of revenue projections, we were able to proceed with certain increases in the 2004 Budget.

Departmental budgets were prepared at maintenance levels. Requests for increased expenditures were funded according to budgeted resources. The significant increases over the 2003 modified budget include:

- An increase in part-time salaries by 4%
- An increase in hospital insurance by 4.7%
- An increase in fire overtime by 2.5%
- An increase in police and fire pension by 33.3%
- An increase in fuel by 14%
- An increase in fleet variable cost by 43%
- An increase in public transportation by 16.3%

As in past City budgets, personnel costs continue to represent the largest expenditure in 2004. Police and fire personnel covered by labor agreements will receive a pay increase of approximately 1% and 4% respectively. Non-union employees will receive a 2% pay increase at the first of the year. Part-time salaries and hospital insurance were increased to provide sufficient appropriations for these benefits. The fire overtime was increased due to demands and public safety. Benefit changes approved by the state legislature increased pension costs for police and fire personnel. Pension costs increased from 6 percent to 8.64 percent for the police department and 8.92 percent for fire personnel.

The line item for fuel was increased due to rising crude oil and energy prices. The fleet variable increase resulted from an aging fleet and a change in allocation of costs. Acquisition of replacement vehicles will be funded through our short-term financing option.

The City increased its contribution to support cost adjustments from Central Arkansas Transit (CATA). The increased transportation funding will maintain the current bus routes for day, night and Sunday service. In addition, River Rail operations will begin in 2004 and CATA funding has been increased accordingly. Plans are being developed to extend the River Rail to the William Jefferson Clinton Presidential Library and Park and Heifer Project International's new headquarters. \$100,000 has been added for anticipated capital match for this extension. River Rail operations will provide rail lines in downtown Little Rock that will alleviate traffic congestions, improve air quality, and provide a convenient, affordable alternative to private vehicle transportation.

The City of Little Rock's management team and the Finance Department will continue to manage the City in a sound and fiscally prudent manner while still delivering the quality and level of service that the citizens of Little Rock expect.

#### **General Fund Special Projects Fund and Special Projects Fund**

The General Fund Special Project Fund was established in 2002 to replace the Special Project Fund. For reporting purposes, The General Fund Special Project Fund is considered part of the General Fund and is used to track special projects. Continuing to budget this fund would have the result of budgeting these expenditures twice.

#### **Street Fund**

Street Fund expenditures increased due to the non-union salary increase and decreased in other categories to ensure the 2004 ending balance in the fund meets a 10% reserve balance.

The Public Works Department partnered with Johnson Controls to save the City \$300,000 a year in utility costs thru energy conservation improvements. These improvements include a city-wide traffic signal retrofit using high efficiency LED technology, building lighting, heating and air conditioning controls, new windows in City Hall, geothermal heat pumps at Public Works and a first of its kind HVAC system at War Memorial Fitness Center Pool. In addition to dollars saved the environmental impact will be equivalent of planting 1,100 acres of trees.

#### **Waste Disposal Fund**

The 2004 budget anticipates that the monthly residential rate will be set at \$20.99, an adjustment of \$2.08 per month, effective July 1, 2004. These rates will provide sufficient revenue regarding all costs of sanitation operations including debt service and capital improvements for collection.

#### **Fleet Services**

Fleet's 2003 operating budget increased due to salary increases.

#### **Impound Operations Fund**

Wrecker services are provided through contracts with wrecker companies. The City implemented a new service arrangement with wrecker firms that will increase revenues for the City and which increased payments to the wrecker companies.

### **Zoo, Golf, War Memorial Fitness Center and River Market Funds**

According to bond covenants, fees generated for these activities are to be placed directly into a debt service fund and semiannual payments of principal and interest are made from that fund. In 2004, these amounts have been shown as transfers out to the debt service fund rather than as reductions of revenues. Additional expenditure reductions have been made in 2004 Golf and War Memorial Fitness Center Funds to ensure expenditures do not exceed revenues.

### **Concessions**

Beginning in 2003, revenues and expenditures related to Golf concessions were placed in the Golf Fund. Additionally, the summer program is in a fund for grant activities.

### **Budget Polices and the Budget Process**

The standards set for monthly and quarterly reporting and the creation of a General Fund Restricted Reserve were a positive impact on the 2004 budget. The requirement is to have \$10,000,000 or 10% of General Fund revenues in the Restricted Reserve on or before December 31, 2005. The 2004 contribution to the restricted reserve has been budgeted at \$2,036,165.

### **Recent Challenges and Accomplishments**

The City will pay off the 2001 Limited Tax obligation on April 1, 2004. Due to greater than expected mill collections, the City will be able to call the remainder of the bonds.

Long-term funding of operational needs of the City of Little Rock is a key issue that must be addressed in the very near future. One initiative the City has implemented is the issuance of warrants to collect outstanding fines and fees. The City is also researching non-traditional collection methods using collection agencies. Other traditional municipal funding options exist such as tax increases, increased fines and fees, and the use of debt instruments. In addition the City will receive tourism dollars from the William Jefferson Clinton Presidential Library located in the renovated downtown area.

The Finance Department implemented an aggressive business license collection initiative in 2003. Revenues increased 9 percent over 2002, which resulted in an additional \$423,000.

In 2003 the Parks and Recreation department organized and hosted Little Rock's first marathon with over 2,000 participants from around the world. If early indicators hold true, 2004's marathon will be much larger, generating additional revenue for the City.

Children, Youth and Families (CYF) funded over 45 programs including outreach programs to the Hispanic Community. The Prevention, Intervention and Treatment Program funded from CYF was recognized by the National League of Cities and received a planning grant to address after school programs.

I am pleased to report that while achieving quality service, the City has continued to manage our finances conservatively. We maintained a double AA- bond rating and the City's outlook has been upgraded by Standard & Poor.

### **Board Priority Areas**

#### **Public Safety**

The Board elevated Public Safety to the number one priority for Little Rock. The Cornerstone of the "Safe Neighborhoods" initiative will be a redesigned Criminal Abatement Program. The Police Department, the Housing and Neighborhood Programs Department, the Fire Marshall's Office and the City Attorney's Office have worked in concert to identify and abate structures deemed a nuisance and eliminate the criminal element from our neighborhoods. Recruit classes for both the Police and Fire Departments have been authorized and will assist in accomplishing the goals of this program.

#### **Infrastructure**

On November 4, 2003, Little Rock citizens agreed to "Continue the Progress" by approving \$70,635,000 of Limited Tax General Obligation Capital Improvement Bonds, Series 2004 to address needed capital improvements for the Fire, Police, Emergency Communications, Streets, Parks, Drainage, School Pedestrian Safety, Animal Services, and the Robinson and Statehouse Centers. The capital improvements will be completed over the next three years and will address many of the City's urgent infrastructure needs. Voters approved continuing the 3.3 mill levy for capital improvements to pay the annual debt service on the bonds.

#### **Economic Development**

2003 proved to be a very successful year, not only for the City of Little Rock but also for the central Arkansas region as a whole. Regionally, the Little Rock Regional Chamber of Commerce has made great progress involving our neighbors in economic development decisions and the Central Arkansas Economic Development Alliance (CAEDA) was formed to build on that momentum.

Locally a number of major economic development announcements were made. Little Rock was ranked by *Forbes* magazine 21<sup>st</sup> of 150 cities nationwide as one of the "Best Places for Businesses and Careers". In addition, Little Rock was recognized by Moody's Investors Service as 2<sup>nd</sup> in the nation for economic diversity. *Forbes* also recognized Heifer International as one of the ten charities spotlighted in their annual issue of top 200 charitable organizations. Were we very fortunate to share in the inspiring groundbreaking of the new \$15 million Heifer International world headquarters in the River Market District. Little Rock is truly fortunate to have great organizations that work around the world to assist those in need as witnessed by the groundbreaking for the \$3.5 million Winrock International headquarters.

In June 2003 Acxiom opened its \$35 million architectural gem in the heart of downtown. In October 2003 the City saw the Family Life group dedicate its debt free \$11.6 million corporate office in Little Rock. Remington College, The Little Rock National Airport, Dassault Falcon Jet, Raytheon, GC Services and Arkansas Bio Ventures have opened or renovated facilities.

In 2004 the grand opening of the new First Security Center, a \$25 million dollar mixed used 14-story building that will include a Marriot Courtyard Hotel, will occur. Other hotel renovation projects include the Holiday Inn Presidential Center, the Radisson, the Legacy and the Comfort Inn. Staff is also excited about the multi million dollar renovation that will begin soon on the federal court and administration building in downtown Little Rock.

In November 2004, the William Jefferson Clinton Presidential Library will open. It is the largest private sector construction project in the City's history. A full week of activities is planned for the grand opening and visitors from around the world will be in attendance. The on-going tourism impact to Little Rock will be significant.

### **Closing**

This budget is the financial and operating plan for the City of Little Rock for 2004. The appropriations contained will provide for quality municipal services.

I want to recognize the 25 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 use of technology to communicate to local citizen and businesses. Our Web site, [www.accesslittlerock.org](http://www.accesslittlerock.org) is among the best and will continue to improve our communication efforts. The City is also proud of our local access channel LRNN. The Cable TV broadcast information regarding the activities of the Little Rock Board of Directors through live and taped coverage of City Board meetings and other official proceedings; and produce programming about municipal affairs.

We have made great progress in the City over the past year and I anticipate continued progress in the future as the City Board and City staff work for the good of all our citizens. May 2004 be our best year ever as we "Continue the Progress".

Respectively submitted,

  
Bruce T. Moore  
City Manager

## OVERALL CITY GOALS AND OBJECTIVES

On February 28, 2003 and March 1, 2003 the Mayor and Board of Directors met in two retreat sessions to develop a strategic policy plan structured around the goals and objectives of each Board member. After a brainstorming session to determine the needs of the community the Board of Directors divided their priorities into two categories: What *Must* we do? And What *should* we do? The Board assigned city staff the task of developing a mission statement, for their approval, that would bring together the themes of each policy area. The mission statement and the Board of Director's policy statements for each strategic policy area are outlined below:

### Mission Statement

Little Rock's vision is to be a leading city of the *21<sup>st</sup> Century* by providing a *safe* and *supportive* environment that empowers its citizens, neighbors and *businesses* to develop and prosper.

### Must Do

#### **Policy Statement for a Safe City**

It is the policy of the City of Little Rock to protect the rights of the people, ensure public order, and provide public safety through efficient delivery of services in addition to requiring the highest level of professional standards.

This shall be accomplished by:

- Providing protection through the enforcement of municipal laws
- Providing protection from loss or damage of property
- Safeguarding individual liberties and implementing community partnerships to foster cooperation and shared resources from other public and private agencies
- Maintaining and improving community livability through partnerships with diverse communities by proactively addressing public safety concerns, which enhance the quality of life for all
- Supporting programs that address the issues of children, youth and families
- Striving to ensure the availability and access of adequate, safe and affordable housing
- Striving to improve vehicular and pedestrian safety
- Providing disaster assistance in natural and man-made emergencies
- Providing optimum service levels to the public as cost effectively as possible to maintain a safe, healthy community

**Must Do**  
**Policy Statement for Economic Development**

It is the policy of the City of Little Rock to support the local/regional economy and to provide opportunities to retain, form and attract new business.

To accomplish this policy, the City shall:

- Support and promote industry and leverage key resources and assets to attract business interests that offer high-skill/high-wage opportunities for citizens
- Build on the momentum created by public and private investment and recognize that these efforts promote economic growth for all of Central Arkansas
- Actively develop programs to support small, minority-owned and women-owned businesses in recognition of the important role of these enterprises in the creation of jobs and economic opportunities

**Must Do**  
**Policy Statement for Basic City Services**

It is the policy of the City of Little Rock to ensure citizens receive quality basic services, and to provide a viable system that enables its employees to give the most efficient and effective support possible.

The services provided to the citizenry will include:

- A comprehensive operational and administrative support system
- The collection of solid waste
- An efficient drainage and wastewater system
- The provision of a clean, healthy water supply
- A coordinated and efficient public transit system

**Must Do  
Policy Statement for Infrastructure**

It is the policy of the City of Little Rock to maintain and improve a comprehensive infrastructure system that meets the changing needs of the community while protecting the integrity of the environment.

A comprehensive infrastructure system includes:

- Drainage systems
- Information technology systems
- Public buildings
- Solid waste facilities
- Streetlights
- Streets
- Traffic signals
- Wastewater facilities
- Water systems

**Should Do  
Policy Statement for Quality of Life**

It is the policy of the City of Little Rock to join with community partners to ensure access to vital and varied recreational, creative and educational experiences.

This will be accomplished to:

- Strengthen the fabric of daily living experiences for residents and visitors alike
- Capitalize on Little Rock's rich natural and cultural resources
- Take advantage of the diversity of Little Rock's citizenry

## Statement of Management Policy

Each year the City Manager develops a Statement of Management Policy to provide guidance and establish specific parameters for departments to follow when developing their annual budgets. The Statement of Management Policy is comprised of common themes from the Board of Director's overall goals and objectives. It is the City Manager's responsibility, working in conjunction with department heads, to develop the annual budget around these policy areas in order to promote efficiency and effectiveness in the delivery of services to the public.

The 2004 Statement of Management Policy includes these key principles:

### **Public Safety**

Strive to improve public safety through the use of information, education and community based enforcement strategies to encourage cooperation with and participation in City safety services. Utilize technology and innovative methods and techniques in order to produce a safe environment for the citizens of Little Rock.

### **Economic Development**

Continue partnerships with private and public agencies in the recruitment of new business. Pursue innovative approaches to retain existing businesses and promote the creation of small businesses in the City of Little Rock.

### **Infrastructure**

Focus on the installation and maintenance of streets, drainage, sidewalks, traffic signals and other capital needs in the City of Little Rock.

### **Quality of Life**

Focus on improving active, passive and leisure activities for citizens and visitors.

### **Financial Reporting**

Continue to provide accurate and timely information on the status of the City's financial picture to the Board of Director's and the public. Continue to pursue innovative techniques to gather and report financial data.

## THE BUDGET PROCESS

The City's annual budget is the final product of a lengthy, public process. The budget projects all receipts and disbursements, the level of governmental services, and the method of distributing cost to the various segments of the community. It is the result of an evaluation of community needs and reflects priorities established by the Mayor and Board of Directors and the City Manager. This document serves to inform citizens and other interested parties of the City's service plans and overall financial condition.

The City's budget process normally requires the majority of the year to complete. The budget process begins with a budget preparation package that is distributed to the Department Heads. The package include guidelines from the City Manager and budget reports that include the prior year expenditures, current year budget and year-to-date expenditures for all operating accounts, initial revenue projections, a capital improvement listing, and a budget preparation calendar. The FY04 percentage growth allowance for expenditures is included in the operating budget guidelines and is applied to the total for all supplies, contractual and utilities categories. Budget staff provides training sessions on budget data entry. Departments enter their expenditure request and initial revisions are made by the Finance department in the Finance approved column. Revenues and expenditures receive final adjustments are done prior to submission to the Mayor & Board of Directors.

The City department budgets request are prepared an initial internal budget hearings are conducted. The annual operating and capital budgets are submitted to the Mayor and Board of Directors 90 days prior to the end of the fiscal year in December.

The Capital Budget is prepared to present the capital expenditures planned for each of the next five fiscal years. The total costs of each project and the sources of funding required to finance each project are estimated. The Capital Improvement Program authorizes capital expenditures to be made or incurred in the next five years. The FY04 capital requests are considered separately by fund.

The Mayor & Board conducted public hearings to obtain input from citizens. The City utilizes a program-based budget approach for the funds under the direction of the City Manager. Approved departmental expenditures are categorized by organizational service delivery unit, and then presented as costs associated with specific service programs. This approach allows citizens and their elected representatives to evaluate the costs of various services, to relate those costs to units of service delivered, and to set service priorities.

The Adopted budget ordinance provides for budgetary control at a program level. Budgets cannot be exceeded without the approval of the Mayor & Board of Directors.

City Management monitors achievement of program service objectives as follows:

- In regular meetings with department directors by the City Manager and his staff;
- In quarterly reports to the City Manager by department directors;
- Through management information system reporting;
- Through regular public presentations to the Mayor and Board of Directors; and
- Through meetings with neighborhood organizations and other citizen groups.

Employees are evaluated semi-annually in relationship to their performance of their designated services. Non-union employees are compensated under a merit system.

Following adoption of the budget, revenue and expenditure budget accounts are established based on the organizational structure of the City's financial system. Monthly and quarterly reports of revenues, expenses and remaining balances are prepared for the Mayor and Board of Directors and City management. The availability of budgeted funds is verified before a purchase order is issued, which then encumbers the budget account.

- The 2004 Budget

The 2004 Basic Budget reflects estimated costs for those programs, which were approved or received funding.

- Goals

Goals are clear statements of a department's mission, or purpose. Goals pinpoint the reasons for the department's existence and establish department's direction and responsibility(s). Each department's objectives are linked to the dollar figure budget needed to achieve the goal.

- Objectives

Objectives are the specific functions, which must be performed in order for a program to satisfy or fulfill a particular goal. Objectives are almost always expressed in measurable terms so that a program's level of accomplishment, or performance can be evaluated at the end of the fiscal year.

The calendar for developing the 2004 budgets is as follows:

April-May	City Manager provided general direction and guidance for operating and capital budgets. Board held budget workshop.
May-June	Statement of Management Policy was revised.
June-July	Initial revenue and personnel costs budgets were developed, programs were assessed; new programs and capital budget requests were submitted.
August-September	City departments prepared budget requests and submitted them to the City Manager.
October	City Manager evaluated budget requests. Board adopted property tax levies.
October-December	Board held public hearings. Budget request was revised.
December	Board adopted utility franchise fee rates with no increase, and adopted the final budget.

## AMENDING THE BUDGET

During the fiscal year, several adjustments are normally required to the adopted budget. The approved budget may be amended as required in accordance with the following protocol:

- Revenues are reviewed monthly and quarterly, and the projections are adjusted if warranted.
- Adjustments to transfer approved expenditure budgets from one organization to another may be approved by the City Manager if less than \$50,000. Transfers in excess of \$50,000 must be submitted to the Mayor and Board of Directors for approval.
- All new appropriations must be authorized by Board Ordinance and are normally submitted by the City Manager, but can be initiated directly by the Mayor and Board of Directors.

### Funds Controlled by the City Governing Body

The Funds controlled are:

- General;
- Special Revenue;
- Capital;
- Proprietary;
- Fiduciary; and
- Debt Service.

The City's financial policies are included in the Financial Structure section.

## BUDGET POLICIES

The City has developed and utilized several significant budget policies that are designed to enhance the ultimately approved budgets and accomplish specific objectives. These policies include:

- The 2004 budget includes a 2% salary increase for all full-time staff positions except for the International Association of Fire Firefighters and Fraternal Order Police who are under contract. These positions are budgeted for the entire year.
- Vacant positions at the time that the budget is adopted are budgeted at the mid-range salary for the positions' grade, providing some budget flexibility in the recruiting process.

- The City utilized the in-house payroll system to aid in the development of the budget for salary and benefit costs for 2004. Salary changes are budgeted for each employee group to occur at the required time, such as on the employee's anniversary date or at the first of the year.
- Fleet Services internal service fund expenditures for vehicle maintenance are established and then allocated to vehicle user departments. These allocations are not subject to change by the user departments.
- Departments are given specific budget parameters by the City Manager. Departments are not allowed to alter personnel or vehicle maintenance included in their budgets, and is usually instructed not to make any increase in their other operating budget accounts without specific approval from the City Manager.
- Estimated costs and funding sources will be identified and verified prior to any project being submitted to the Board for approval.

These policies are designed to ensure that operating departments will have sufficient funds available to support their services, and that budget reductions during the course of the fiscal year are unlikely.

### **OTHER BUDGET PROCEDURES**

The preceding budget procedures apply to the development of the budget for the General Government operating funds, and the Proprietary, Special Projects and Capital funds. These funds are under the direct guidance of the City Manager. Special Revenue funds' budgets are developed internally by staff. The CDBG, and HIPP funds' budgets are developed in accordance with their specific federal guidelines, including obtaining required citizen input, and then are presented to the Mayor and Board of Directors for final approval.

The Discrete Component Units funds all develop separate budgets for approval by their governing board or commission. These budgets do not require submission to the Mayor and Board of Directors for approval. The Fiduciary retirement funds do not prepare formal budgets, but their boards of trustees regularly monitor the income and expenditures of the funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and

available. The City considers revenues reported in the governmental funds to be available if they are collectible within sixty days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

Operating revenues and expenditures are distinguished from non-operating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operation of the fund. All revenues and expenses not meeting this definition are reports as non-operating items. The basis of budgeting is the same as the basis of accounting used in the audited financial statements.



## LITTLE ROCK'S FINANCIAL STRUCTURE

Cities in Arkansas derive their authority to levy taxes and provide municipal services from state statutes. Little Rock's financial structure utilizes fund accounting, which separates the transactions related to various City functions and is designed to demonstrate compliance with legal requirements. Certain funds are controlled directly by the City's governing body, and other funds are controlled by agencies whose assets are owned by the City but are operated by independent boards and commissions.

### FUNDS CONTROLLED BY THE CITY GOVERNING BODY

#### GENERAL FUND OPERATIONS

**General Fund** - This fund is the primary operating fund of the City and receives all revenues not required to be accounted for separately. In addition to funding traditional government services, annual appropriations are made from this fund for several agencies and for capital improvements.

#### SPECIAL REVENUE

**Street Fund** - This is a special revenue fund that receives income dedicated to street and traffic maintenance, such as state gasoline tax turnback, one-half of a County road property tax, and parking meter receipts

**Special Projects Fund** - This fund receives certain revenues and appropriations for special or capital projects that generally have a multi-year life.

**Economic Development Fund** - This fund was created to provide resources to develop public facilities that can promote job creation in the City.

**Infrastructure Fund** - This fund was established to commit resources for the improvement and maintenance of the City's infrastructure.

**Emergency 9-1-1 Fund** - This fund contains fees derived from telephone charges, which are restricted uses related to operating and equipping our 9-1-1 Emergency Operations Center.

**Grant Fund** - Various Federal and State Grant are recorded in this fund.

**Community Development Block Grant Fund** - This fund receives Federal block grants used primarily for street improvements, community services and community center operations.

#### CAPITAL

**Capital Projects Funds** - These are funds derived from the proceeds of selling City general obligation bonds and are used for major capital improvements.

**PROPRIETARY FUNDS**

**Waste Disposal Enterprise Fund** - This fund was created to account for all of the City's solid waste system.

**River Market Enterprise Fund** – This fund was created to account for the City's River Market and Amphitheater operations.

**Concessions Enterprise Fund** – This fund was created to account for operations of the City's concessions.

**Golf Enterprise Fund** – This fund was created to account for the operations of the City's golf courses.

**War Memorial Fitness Center Enterprise Fund** – This fund was created to account for the operations of the City's Fitness Center.

**Zoo Enterprise Fund** – This fund was created to account for the operations of the City's and State's only Zoo.

**Impound Operations Enterprise Fund** – This fund was created to account for vehicle storage services.

**Fleet Internal Services Fund** - This fund utilizes a flexible budget and derives its revenues primarily from charges to the organizations in the General and Street Funds that use vehicles.

**FIDUCIARY FUNDS CONTROLLED BY BOARDS OF TRUSTEES**

An important benefit for City employees is a retirement plan. Administering these funds is an important City responsibility. The following retirement funds are offered by the City and cover substantially all employees:

Firemen's Relief and Pension Fund  
 Policemen's Pension and Relief Fund  
 Municipal Judge's Retirement Fund  
 Non Uniform Defined Contribution Pension Fund  
 Non Uniform Defined Benefit Pension Fund

All funds except the Judge's Retirement Fund receive contributions from both employees and the City. The Firemen and Policemen's funds also receive property tax and insurance tax revenues. Each fund has a Board of Trustees that directs its activities.

**DEBT SERVICE FUNDS** - These funds receive dedicated property tax levies to retire general obligation bonds, both principal and interest.

**DISCRETE COMPONENT UNITS CONTROLLED BY INDEPENDENT BOARDS & COMMISSIONS**

Certain City services are similar to activities found in the private sector. They have independent Boards and Commissions. They are accounted for as separate funds, and expected to maintain revenues sufficient to meet their operating costs, debt service and

system replacement and maintenance needs. These funds are not included in this document and are as follows:

- Little Rock Wastewater Utility Fund
- Little Rock National Airport Fund
- Little Rock Advertising & Promotion Commission Fund
- Little Rock Port Authority Fund
- Little Rock Ambulance Authority Fund
- Central Arkansas Transit Authority
- Arkansas Museum of Discovery
- Arkansas Arts Center
- Central Arkansas Library System

These funds receive income from service charges that are used to operate their respective facilities and to retire revenue bonds. Also, a 2% Hotel, Motel, and Restaurant Sales Tax provide the main source of income to operate the Advertising and Promotion Commission and retire its bonds. Boards and Commissions, who derive their authority from specific statutes, operate all of these funds. However, the City's governing body must authorize rate changes, approve all bond issues, and approve appointments to the Boards and Commissions. Therefore, these funds are required to be reported as discrete component units of this entity by GASB Statement Number 39.

#### **OTHER FUNDS NOT INCLUDED**

This budget does not include the Little Rock School District, which is governed by its own elected board, is a separate taxing authority, issues its own debt and receives no City subsidy. Certain other funds are not included, because they operate under independent Boards, have other sources of revenue, and are in no way dependent upon the Mayor and Board of Directors. These are as follows:

- Little Rock Housing Authority
- Little Rock Residential Housing and Facilities Board

This budget also does not include certain multiple-employer, defined benefit pension funds administered and trusted by independent fiduciary agents and in which certain employees participate.

## FISCAL POLICIES

### **A. OPERATING MANAGEMENT**

1. All City departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements. When appropriate, sunset provisions will be incorporated into service plans.
2. The budget process is intended to weigh all competing requests for City resources. Requests for new, on-going programs made outside the budget process will be discouraged.
3. Addition of personnel will only be requested to meet program initiatives and policy directives, after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
4. Current expenditures will be funded by current revenues. A diversified and stable revenue system will be developed to protect programs from short-term fluctuations in any single revenue source.
5. No revenues will be dedicated for specific purposes, unless required by law or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
6. User fees and charges will be examined annually to ensure they recover all direct and indirect costs of service. If the user fees and charges required to meet full cost recovery would be excessively burdensome on citizens receiving service, the Board of Directors may approve a lower user fee or charge. The City will consider market rates and charges levied by other public and private organizations for similar services in establishing rate and fee structures. Rate adjustments for Waste Disposal will be based on five-year financial plans.
7. Grant funding should be considered to leverage City funds. Inconsistent and /or fluctuating Grants & Trusts should not be used to fund on-going programs. Programs financed with grant moneys will be budgeted in separate cost centers, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, City resources will be substituted only after all program priorities and alternatives are considered during the budget process.

8. All grants and other Federal and State funds shall be managed to comply with the laws, regulations, and guidance of the grantor, and all gifts and donations shall be managed and expended according to the wishes and instructions of the donor.
9. Fleet replacement will be accomplished through the use of a "rental" rate structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for operation and replacement of vehicles.
10. Balanced revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will encompass five years and will be updated annually.
11. Comparison of service delivery will be made to ensure that quality services are provided to our citizens at the most competitive and economical cost. Departments will identify all activities that can be provided by another source and review alternatives to current service delivery. The review of service delivery alternatives will be performed continually. During the annual budget process, funding for Outside Agencies, FUTURE-Little Rock, and special projects will be evaluated.
12. To attract and retain employees necessary for providing high quality services, the City shall establish and maintain a very competitive compensation and benefit package with the public and private sectors.
13. The City will follow an aggressive and professional policy of collecting revenues.
14. In each annual budget, the City may authorize a transfer from one fund to another for one or more special projects. Expenditures from the special project shall be consistent with the purpose of the special project. Unspent appropriations for special projects shall carry forward into the next fiscal year. Unspent special project appropriations remaining on June 30 in the next fiscal year shall be returned to the fund of origin unless the City Manager authorizes a special project to continue.
15. The City will strive to maintain fair and equitable relationships with its contractors and suppliers.

**B. CAPITAL MANAGEMENT**

1. A five-year Capital Improvement Plan will be developed biannually and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction that results in a capitalized asset costing more than \$5,000 and having a useful life (depreciable life) of two years or more.
2. The capital improvement plan will include, in addition to current operating maintenance expenditures, an adequate level of funding for maintenance and replacement to ensure that all capital facilities and equipment are properly maintained.
3. Proposed capital projects will be reviewed by a cross-departmental team for accurate costing (design, capital, and operating), congruence with City objectives and prioritized by a set of deterministic criteria. Financing sources will be sought for the highest-ranking projects.
4. Capital improvement operating budget impacts will be coordinated with the development of the annual operating budget. Future operating, maintenance, and replacements costs will be forecast as part of the City's five-year financial forecast.
5. The City will provide for a minimum of 5% of internal, pay-as-you-go financing for its Capital Improvement Program. Funding may come from fund balance reserves or any other acceptable means of funding.

**C. DEBT MANAGEMENT**

1. The City will seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit. The City will encourage and maintain good relations with financial bond rating agencies and will follow a policy of full and open disclosure.
2. Future bond issue proposals will be accompanied by an analysis showing how the new issue combined with current debt impacts the City's debt capacity and conformance with City debt policies.
3. The City will attempt to develop a coordinated communication process with all other overlapping jurisdictions with which it shares a common tax base concerning collective plans for future debt issues.

4. Financing shall not exceed the useful life of the asset being acquired.
5. The City will not use long-term debt to finance current operations.
6. The general policy of the City is to establish debt repayment schedules that use level annual principal and interest payments.
7. The general policy of the City is to fund capital projects (infrastructure) with new, dedicated streams of revenue or voter approved debt. Nonvoter approved debt may be utilized when a dedicated revenue source other than general revenue can be identified to pay debt service expenses.
8. Interest earnings on bond proceeds will be limited to 1) funding the improvements specified in the authorizing bond ordinance, or 2) payment of debt service on the bonds.
9. Utility rates will be set to ensure debt service coverage exceeds the bond indenture requirement of 125%.
10. The City shall comply with the Internal Revenue Code Section 148 – Arbitrage Regulation for all tax-exempt debt issued. An annual estimate of arbitrage liabilities shall be obtained by the City and recorded on the financial statements.
11. The City shall use a competitive bidding process in the sale of debt unless the use of a negotiated process is warranted due to market timing requirements (refunding), or a unique pledge or debt structure. The City will award competitively issued debt on a true interest cost (TIC) basis.
12. Proceeds from debt will be used in accordance with the purpose of the debt issue. Funds remaining after the project is completed will be used in accordance with the provisions stated in the bond ordinance that authorized the issuance of the debt.

#### **D. RESERVES**

1. All fund designations and reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the City's five-year financial plan.
2. The General Fund goal is to set aside \$10,000,000 or 10% of General Fund revenues; whichever is greater, into a restricted reserve fund on or before December 31, 2005. Thereafter, the restricted reserve shall be maintained at the greater of \$10,000,000 or 10% of General Fund revenues.

3. Each annual operating budget will include a contingency appropriation in the General Fund sufficient to provide for unforeseen needs of an emergency nature for that year. The desired level of the contingency appropriation each year shall be based on the average of the three prior years' experience levels but no less than .5% of General Fund revenue for the current fiscal year.
4. The Waste Disposal Fund will maintain an unrestricted retained earnings reserve of no less than 15% of current year revenues.
5. Fleet Management reserves will be maintained based upon lifecycle replacement plans to ensure adequate fund balance required for systematic replacement of fleet vehicles. Operating departments will be charged for fleet operating costs per vehicle class and replacement costs spread over the useful life of the vehicles.
6. Self-insurance reserves will be maintained at a level that, together with purchased insurance policies, will adequately indemnify the City's property and liability risk. A qualified actuarial firm shall be retained on an annual basis in order to recommend appropriate funding levels.
7. A Facility Maintenance Reserve will be maintained based upon lifecycle replacement plans to ensure adequate funding for infrastructure repair and operating equipment replacement (HVAC, roofing, etc.).

#### **E. CASH MANAGEMENT AND INVESTMENTS**

1. Cash and investment programs will be maintained in accordance with the City Charter and the adopted investment policy and will ensure that proper controls and safeguards are maintained. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
2. The City will maintain written guidelines on cash handling, accounting, segregation of duties, and other financial matters.
3. The City will conduct periodic reviews of its internal controls and cash handling procedures.
4. The City will annually identify and develop an Internal Audit Work plan.

#### **F. ACCOUNTING, AUDITING AND FINANCIAL REPORTING**

1. The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles (GAAP) and the

standards set by the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association (GFOA).

2. An independent public accounting firm will perform an annual audit. The auditor's opinion will be included with the City's published Comprehensive Annual Financial Report (CAFR).
3. The City's CAFR will be submitted to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, provide full disclosure of all financial activities and related matters, and minimize ambiguities and potentials for misleading inference.
4. The City's budget document will be submitted to the GFOA Distinguished Budget Presentation Program. The budget should satisfy criteria as a financial and programmatic policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communications device for all significant budgetary issues, trends and resources.
5. Financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.
6. Monthly and quarterly reports shall be prepared and presented to the Board of Directors on a timely basis.