

# WELCOME TO LITTLE ROCK!

## CITY OF LITTLE ROCK MAJOR REVENUE SOURCES

### OVERALL

Little Rock is the center of economic activity in Arkansas which helps generate over one-quarter of all personal income in the State of Arkansas. Little Rock has a multi-faceted revenue stream. The City's General Fund revenues are primarily comprised of sales taxes, property taxes, utility franchise fees, fines and fees and revenues from various licenses. The City's General Fund is heavily dependent on sales tax, which comprises over 51% of the 2021 budget. In September 2011, voters approved an overall one (1)-cent sales tax increase, with 5/8 cent dedicated for ongoing operating expenses and 3/8 cent dedicated to capital projects over a ten (10) year period. We've included a list of the major revenue sources in Little Rock.

### PROPERTY TAXES

In general, all real and personal property situated in the City is subjected to ad valorem taxation with some exceptions such as school property and libraries. Residents, utilities, and businesses in Little Rock are assessed and levied property taxes as follows:

- Assessed value is an amount equal to twenty (20) percent of market value, and the levied millage is applied against the assessed value to determine the tax owed. With the passage of Amendment 79, the most that a residential property appraisal can be increased annually is 5%, regardless of the increase in market value of the property. A non-residential property or an investment property is limited to an annual increase of 10%.
- Any annual increase in the value of utility and carrier real property is limited to 10% of the assessed value for the previous year.
- Tax levies, expressed in terms of millage (one mill equals \$1 in tax per \$1,000 in assessed value), are passed by local governments and certified to the County Tax Collector, who bills and collects the tax.
- A Little Rock resident living in the Little Rock School District is charged a millage rate of 70.00.
- Taxes are remitted to the City monthly by the Pulaski County Treasurer as payments are received throughout the year.

The General Assembly exercised its homestead exemption authority with the passage of Act 1598 of 2001 (Amendment 79), which provides that, effective with the assessment year 2000 and thereafter, the amount of real property taxes assessed on the homestead of each property owner is reduced by \$375. A homestead is a property which is an owner's principal place of residence.

The City tax levies the past two years have been as follows:

	<u>2019 Payable 2020</u>	<u>2020 Payable 2021</u>
General Operation	5.00	5.00
Bond Retirement	3.00	3.00
Library System	5.10	5.10
Police & Firemen's Pension	<u>2.00</u>	<u>2.00</u>
	15.10	15.10

In addition, the City receives approximately one-half of the collections from a 2.90 mill road tax levied by the County and restricted to use for street repair and maintenance.

In addition to the City millage of 15.10 and the County road millage of 2.90, a Little Rock property owner's tax assessment for 2020 also includes 5.60 mills levied by the County and 46.40 mills levied by the Little Rock School District. The total millage for a Little Rock property owner is 70.00 for 2020 property taxes payable in 2021.

The general operations 5.0 mill levy is the maximum rate allowable under state law for general city operations.

### **COUNTY SALES TAX**

The City receives a pro-rata share of a one (1) cent county wide sales tax. Distribution is based on the Little Rock population as a percentage of Pulaski County's total population. According to the 2020 Census, Little Rock experienced a 4.69% growth in population from the 2010 Census. The City comprises approximately 50.76% of the County population and therefore receives this percentage of the County one percent tax sales and use tax. Use taxes, paid mostly by businesses, resemble sales taxes. They apply to goods purchased from out-of-state merchants such as catalog vendors. On January 1, 2008, changes to Arkansas's state and local sales tax laws were implemented for purposes of compliance with the Streamlined Sales Tax Agreement. Including Arkansas, the sales tax laws of twenty-four (24) states have been amended to conform to the agreement.

### **LOCAL SALES TAX**

Prior to 2012, the City of Little Rock has levied one of the lowest sales tax rates in the State of Arkansas at 0.5%. In September 2011, voters approved an overall one (1) cent sales tax increase which was comprised of a permanent 5/8 cent dedicated for ongoing operating expenses and a temporary 3/8 cent dedicated to capital projects over a ten (10) year period. The new tax went into effect on January 1, 2012. The 3/8 cent tax revenue is not reflected in General Fund revenues. Instead, it is reported in a new capital projects fund. There is a two-month delay from the time the actual sales tax revenues are collected by the businesses and remitted to the State which disburses this amount to the City, less a 3% administrative charge.

## **STATE TAX TURNBACK**

The State General Assembly, through the Office of Budget, appropriates and then distributes an amount for turnback to municipalities based on population. The amount varies from year to year and is funded from general and special revenues made available by the Revenue Stabilization Law. The turnback funds are not based on the state economy.

## **INTEREST EARNINGS**

Interest earned on the investments and bank deposits of the General Fund and certain bond retirement funds can legally be utilized for any municipal purpose. Although the fixed-income investments held in the short-term operating fund continue to yield at historical lows, they are backed by the U.S. government and are among the safest securities in the world.

## **UTILITY FRANCHISES**

Utility franchise fees are charged to public utilities for the privilege of using the City's streets and rights-of-way. The public utilities which pay a franchise fee are listed below with the annual rate, which is typically based on the gross revenues of the utility:

Entergy	5.20% of gross revenue collection for the current calendar year or \$8.8 million, whichever is greater
CenterPoint Energy Arkla	5.20% of gross revenue for the current calendar year or \$2.1 million, whichever is greater
AT&T (Local Land Lines)	7.32% of local exchange access line charges for the previous calendar year
All Other Local Land Lines	7.32% of local exchange access line charges for the previous calendar year
Comcast Cable	5.00% of gross revenues
Central Arkansas Water	10.00% of gross revenues from water sales to customers within the City plus 0.1545 times 20% of the book value of the Water Works system inside the City limits
WasteWater Utility	10.00% of gross revenues
Fiber Optics	5.00% of gross revenues
Long Distance Franchise	\$0.004 per minute of toll calls

Certain franchise fee revenues, such as Entergy, CenterPoint and Central Arkansas Water are directly impacted by the weather. An on-going national trend is that water consumption continues to decrease due to water saving appliances and conservation measures.

CenterPoint stores natural gas for the next heating season. The cost of natural gas makes up between 70% and 80% of the typical bill.

Fiber Optic companies, such as AT&T U-Verse and Windstream, are now in direct competition with Comcast Cable, which has historically been one of the City's leading growth franchise customers. Cell phone and Internet usage is not included in the franchise agreement.

### **BUSINESS LICENSES**

Business licenses are required annually for every business operating within the City limits. License fees are billed, collected, and administered by the City's Treasury Management Division. Business licenses continues to be a stable revenue source.

### **MIXED DRINK PERMITS AND SUPPLEMENTAL TAX**

Hotels, restaurants, and bars are required to have a permit in order to sell alcoholic beverages for on-premises consumption. The City also levies a 10% supplemental tax on public liquor sales within the City and a 5% tax on sales by private clubs.

The City enjoys a strong working relationship with the State of Arkansas Alcohol Beverage Control Agency to ensure that every business in Little Rock with a state alcohol permit is also registered with the Treasury Management Office.

### **BUILDING AND RELATED PERMITS**

Building and related permits include electrical permits, plumbing and hvac permits.

### **FINES**

The City of Little Rock operates three district courts: Traffic Court, Criminal Court and Environmental Court. Various fines and fees are assessed for rezoning, parking, traffic or other violations. Specifically, fines are comprised of traffic fines, criminal court fines, probation assessments, animal control fines, parking fines, etc.

### **PARK REVENUE**

General Fund park revenues consist of tennis fees, community center fees, athletics fees, pavilion rentals, three golf courses and parking at the Riverfront Park.

## **AIRPORT REIMBURSEMENT**

The Little Rock National Airport reimburses the City for expenses related to police and fire protection. As a result of September 11, 2001, increased police security has been required at the airport, resulting in increased reimbursements.

## **STREET GAS TAX TURNBACK**

The City receives state turnback funds directed to the Street Department. The gas tax turnback is allocated based on the latest census and gallons of fuel consumed. Basically, 15% of all the tax on gasoline consumption goes to municipal aid or gas turnback. Street Gas Turnback also includes severance taxes from natural gas.

## **BOND & INTEREST FUND**

Revenues from this fund are used to finance the debt service on the \$58,105,000 Limited Tax Bond Issue, Series 2013. In September 2012, voters approved the continuance of a 3 annual property tax millage for debt service on the bonds. In November 2018, the City issued the second series of the Limited Tax Obligation Bonds for streets and drainage in the amount of \$43,475,000. The 2013 issue will be redeemed in full on April 1, 2021. The millage, along with the Homestead Credit, pays debt service on the bonds.

## **WASTE DISPOSAL**

Solid Waste Services, by ordinance, is responsible for collection, transportation, treatment, processing services, and disposal of the City's residential waste. The City also provides recycling collection for its garbage customers. The City provides for separate weekly collection of garbage, yard waste, and recycling.

## **ZOO**

Zoo revenues include daily admissions, membership dues, concessions, token sales, amusement rides, education classes, special events and donations. Weather always plays a significant role in Zoo revenues.

## **GOLF**

The City operates three public golf courses and relies heavily on greens fees and concessions to operate these courses.

## **VEHICLE STORAGE**

Vehicle Storage or Impound revenues are primarily from storage fees, wrecker fees, and auction sales. These three revenue sources generate approximately 89% of total Vehicle Storage revenues.

## **PARKING GARAGE FUND**

The City of Little Rock operates two downtown parking garages. Garage revenues are generated by daily and monthly parking fees at the Second and Main Street Parking Facility and the River Market Parking Garage.