



Mayor – Sandy Sanders  
City Administrator – Ray Gosack  
City Clerk – Sherri Gard

**Board of Directors**

Ward 1 – Keith D. Lau  
Ward 2 – Andre' Good  
Ward 3 – Mike Lorenz  
Ward 4 – George Catsavis  
At Large Position 5 – Tracy Pennartz  
At Large Position 6 – Kevin Settle  
At Large Position 7 – Don Hutchings

**AGENDA**  
**Fort Smith Board of Directors**  
**SPECIAL MEETING & STUDY SESSION**  
**June 23, 2015 ~ 6:00 p.m.**  
**River Park Events Building, West Room**  
**121 Riverfront Drive**  
*Dinner served at 5:30*

**SPECIAL MEETING**

**ROLL CALL**

**PRESENTATION BY MEMBERS OF THE BOARD OF DIRECTORS OF ANY ITEMS OF BUSINESS NOT ALREADY ON THE AGENDA FOR THIS MEETING**

*(Section 2-37 of Ordinance No. 24-10)*

**EXECUTIVE SESSION**

Appointment: Fort Smith Housing Authority (1)

**ADJOURN**

**STUDY SESSION**

**CALL TO ORDER**

1. Review police and fire retirement funding ~ Pennartz/Lorenz placed on agenda (as the first item on agenda) at the June 2, 2015 regular meeting ~
2. Discuss adoption of local purchasing preferences as allowed by Act 1059 of the 2015 Arkansas General Assembly
3. Review centralized purchasing policy ~ Lau requested at the March 19, 2015 special study session and April 21, 2015 regular meeting ~
4. Review preliminary agenda for the July 7, 2015 regular meeting

**ADJOURN**



OFFICE OF THE CITY CLERK  
Sherri Gard, CMC, City Clerk  
Heather James, Assistant City Clerk

## MEDIA RELEASE

June 18, 2015

Directors Good, Lorenz, Pennartz, Settle and Hutchings have called a special meeting for 6:00 p.m., Tuesday, June 23, 2015 at the River Park Events Building, West Room, 121 Riverfront Drive, to convene into an executive session to consider the following:

- Appointment: Housing Authority (1)

Due to anticipated lengthy discussion of items scheduled for the June 23, 2015 study session, the Board of Directors voted unanimously at the June 2, 2015 regular meeting to change the time of the aforementioned study session from 12:00 Noon to 6:00 p.m. The study session will be held immediately following adjournment of the special meeting. Dinner will be provided and served at approximately 5:30 p.m.

For agenda information, please contact the City Clerk's Office at 784-2208. Once finalized, the agenda for the special meeting and study session will be posted on the City's website, [www.fortsmithar.gov](http://www.fortsmithar.gov).

A handwritten signature in blue ink that reads "Sherri Gard".

\_\_\_\_\_  
Sherri Gard, City Clerk

623 Garrison Avenue  
P.O. Box 1908  
Fort Smith, Arkansas 72902  
(479) 784-2208  
FAX (479) 784-2256  
E-mail: [cityclerk@fortsmithar.gov](mailto:cityclerk@fortsmithar.gov)  
Printed on 100% Recycled Paper



MEMORANDUM

TO: Mayor and Board of Directors

FROM: Wendy Mathis, Administrative Assistant

DATE: June 9<sup>th</sup>, 2015

SUBJECT: Fort Smith Housing Authority

Ms. Linda Edwards has resigned her position on the Fort Smith Housing Authority Board effective March 26<sup>th</sup>, 2015. The Fort Smith Housing Authority Commissioners have appointed Mr. Alex Sanchez to the Fort Smith Housing Authority to replace Ms. Edwards.

Appointments are **by the Fort Smith Housing Authority confirmed by the Board of Directors**, one appointment is needed. The term will expire March 3<sup>rd</sup>, 2016.

623 Garrison Avenue  
P.O. Box 1908  
Fort Smith, Arkansas 72902  
(479) 785-2801  
[www.fortsmithar.gov](http://www.fortsmithar.gov)

Printed on 100% Recycled Paper

## HOUSING AUTHORITY

The Housing Authority is authorized to provide low-income housing assistance to residents of the City and the County. Vacancies on the Housing Authority shall be filled by the remaining members of the Housing Authority subject to confirmation by the Board of Directors serving a 5 year term. The Housing Authority meets at 11:30 a.m. on the last Thursday of each month at the Beckman Center.

	<u>DATE APPOINTED</u>	<u>TERM EXPIRES</u>
Linda Edwards Resident Commissioner 30 Nelson Hall Homes (04)	11/21/06	03/03/16
Richard B. Griffin, Chairman P.O. Box 2207 (02) 783-5191 (w)	10/20/92	03/03/17
Rick Foti 7810 Dover Circle (03) 452-3028	12/16/97	03/03/18
Barbara Webster Meadows 1801 North 13 Street (04) 452-6976	01/07/97	03/03/19
Rex Terry 2714 Yorktown Circle (03) 452-2200	02/16/10	03/03/20

***Fort Smith Housing Authority***

2100 North 31<sup>st</sup> Street  
Fort Smith, Arkansas 72904  
(479) 782-4991 FAX (479) 782-0120

May 21, 2015

Ms. Wendy Mathis  
City of Fort Smith  
P. O. Box 1908  
Fort Smith, AR 72902

Re: FSHA resolution and Alex Sanchez's oath of office

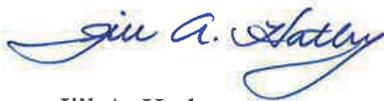
Dear Ms. Mathis:

Enclosed are the following:

1. Original Fort Smith Housing Authority Resolution 1090, which appoints Alex Sanchez as a commissioner to the FSHA board; and
2. Copy of Mr. Sanchez's oath of office. I believe the original may have been recorded in the County Clerk's office.

Please contact me at 782-4991 extension 13 if you have any questions or need anything further.

Sincerely,



Jill A. Hatley  
Administrative Assistant

Enclosures

**RESOLUTION 1090**

**RESOLUTION TO APPOINT ALEX SANCHEZ  
AS COMMISSIONER**

WHEREAS, Commissioner Linda Edwards submitted her resignation to the Board of Commissioners of the Fort Smith Housing Authority ("FSHA") effective March 26, 2015; and

WHEREAS, her term expires in March, 2016; and

WHEREAS, Act No. 77 of the Acts of Arkansas of 1943, approved on the 19<sup>th</sup> day of February, 1943, provided the commissioners of the municipal housing authority shall designate a successor to fill any vacancy occurring on the board of a municipal housing authority subject to approval and confirmation by the municipal governing body of said city; and

WHEREAS, Alex Sanchez has agreed to serve as Commissioner until the end of Commissioner Edwards's term; and

NOW THEREFORE, BE IT RESOLVED, by the Board of Commissioners of FSHA, that Alex Sanchez be and is hereby appointed a Commissioner of the Fort Smith Housing Authority, subject to approval and confirmation by the Board of Directors of the City of Fort Smith, Arkansas, as a Commissioner to hold office until March, 2016, or until a successor has been designated by the Board of Commissioners of the FSHA. The Chairman and Secretary/Treasurer of the FSHA are hereby directed to execute and file with the City Clerk of the City of Fort Smith, Arkansas, a certificate showing the appointment of Alex Sanchez as Commissioner of the FSHA.

  
Richard B. Griffin, Chairman

  
Kenneth L. Pyle, Secretary – Treasurer

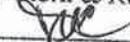
5/7/2015  
Date

OATH OF COMMISSIONER OF  
THE FORT SMITH HOUSING AUTHORITY

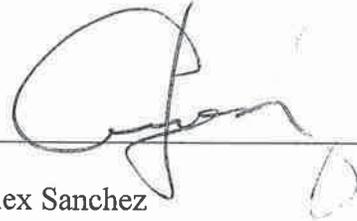
FILED

MAY 15 2015

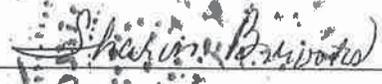
SHARON BROOKS  
County Clerk & Recorder

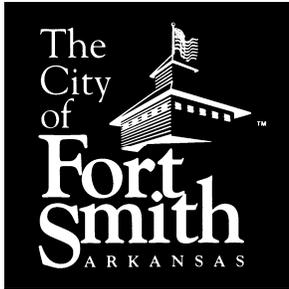
BY 

I, Alex Sanchez, solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Arkansas, and that I will faithfully discharge the duties of the office of Commissioner of the Fort Smith Housing Authority upon which I am now about to enter.

  
Alex Sanchez

I, Sharon Brooks, Sebastian County Clerk in and for the County of Sebastian and State of Arkansas, hereby certify that Alex Sanchez, known by me to be one of the Commissioners of the Fort Smith Housing Authority, appeared before me this 15th day of May, 2015, and made the above oath.

  
Printed Name: Sharon Brooks  
Title: County Clerk/Recorder



# MEMORANDUM

June 19, 2015

**TO:** Mayor and Board of Directors

**FROM :** Ray Gosack, City Administrator

**SUBJECT:** Police and Fire Pension Funding

The resources to meet police and fire pension funding obligations have been declining since 2008. Without a solution, our pension contribution fund is estimated to exhaust all of its resources in 2021. This forecast includes the change from benefit program 2 to benefit program 1 approved earlier this month.

The board has requested continued discussion about options for closing the pension funding gap. Some of these were discussed at the May 26<sup>th</sup> study session. The attached listings include these options and additional ones.

## *CURRENT TREND*

Our projections show that the city's LOPFI Contribution Fund will be depleted in 2021. In 2015, we project that the city will spend \$900,000 more than it receives in this fund. The annual deficit grows to an estimated \$3.1 million by 2026 as shown on the spreadsheet labeled attachment 1.

The funding sources for the LOPFI Contribution Fund and the estimated amounts for 2015 are:

Property tax revenues	\$2,756,719
A portion of revenue from	
1/8% city sales tax for	
new fire positions	\$ 521,160
State Insurance Tax Turnback	\$1,360,000
Fines	\$ 137,000

Interest	\$ 6,000
Employee Contributions	\$1,567,840

We recently received updated information from LOPFI for our 2016 contribution rates. A table showing those and a table showing investment rate of returns are attached.

### *POSSIBLE SOLUTIONS*

Solutions to increase pension funding fall into 2 general categories: reduce General Fund spending and use those savings to support the pension fund; and increase revenues into the pension fund. Options in each of these categories are listed on the attached pages.

In addition to these options, the board may also want to:

- ▶ Analyze impacts of pay adjustments, staffing increases, and benefit level changes.
- ▶ Consider asking the legislature to modify benefit levels for “new plan” participants. Some of these previously discussed by the board include the annual cost of living adjustment (3%) and surviving spouse benefits. If the board wants to consider these kinds of changes, we will need to identify them early next year for consideration in the 2017 legislative package.

Some have suggested that the city issue bonds to pay off the unfunded pension liability. Our bond counsel has advised that Arkansas cities don't have the authority to issue bonds for this purpose.

At the May study session discussion, there was a suggestion about restructuring the fine system and using some of that revenue for pension funding. Attached is a memo from Chief Lindsey which addresses this suggestion.

### *RECOMMENDATIONS*

The following recommendations are made to address the police and fire pension funding shortfall.

- 1) ***Reduce General Fund spending by \$170,800.*** The reductions would be to outside agency funding and downtown events.

- 2) ***Increase the franchise fee*** on electric, telephone, and gas from 4.00% to 4.25% and on cable TV from 4.00% to 5.00%. Additional revenue: \$554,000.
- 3) ***Implement a business license fee*** (option 2, which limits the employee excise fee on smaller employers). Additional revenue: \$1,435,200.

*A spreadsheet which shows the impact of these recommendations on the LOPFI Contribution Fund is attachment 2. The spreadsheet shows that the fund will remain solvent beyond 2030.*

- 4) ***Undertake a pension funding impact analysis*** when pay rate adjustments, staffing increases, or benefit level changes are proposed. This will allow for informed decision making about the consequences of such changes on the financial condition of the city's LOPFI Contribution Fund.
- 5) ***Determine if other benefit changes*** should be pursued in the 2017 legislative session.

#### ***CONCLUSION***

These recommendations and the already-approved change to benefit program 1 demonstrate reasonable cost control measures by the city and a sustainable recurring revenue mix to keep the LOPFI Contribution Fund solvent for many years to come. This is another step in the city's plan to improve its financial condition in a sustainable manner.

City of Fort Smith, Arkansas  
Arkansas LOPFI Contribution Fund (1109)  
Projections with Rescinding Benefit Plan 2  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Years Ending December 31, 2016 through 2030

Attachment 1

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>								
Taxes - Ad Valorem	\$ 2,756,719	\$ 2,811,853	\$ 2,868,090	\$ 2,925,452	\$ 2,983,961	\$ 3,043,640	\$ 3,104,513	\$ 3,166,603
Intergovernmental	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Fines and forfeitures	137,000	138,000	138,000	140,000	140,000	140,000	140,000	141,000
Interest	6,000	6,000	6,000	4,000	3,000	2,000	1,000	-
Contributions	1,567,840	1,599,420	1,631,800	1,664,000	1,697,000	1,730,800	1,765,300	1,800,600
Contributions - 1/8% Sales Tax	521,160	531,580	542,200	553,000	564,000	575,200	586,700	598,400
Miscellaneous	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total revenues</b>	<b>6,349,919</b>	<b>6,448,053</b>	<b>6,547,290</b>	<b>6,647,652</b>	<b>6,749,161</b>	<b>6,852,840</b>	<b>6,958,713</b>	<b>7,067,803</b>
<b>Expenditures</b>								
<b>Current:</b>								
Police	3,424,920	3,266,163	3,380,479	3,498,795	3,621,253	3,747,997	3,879,177	4,034,344
Police BP2 Costs (Note 1)	(132,298)							
Fire	4,085,870	3,810,720	3,944,095	4,082,139	4,225,013	4,372,889	4,525,940	5,073,891
Fire BP2 Costs (Note 1)	(129,300)							
<b>Total expenditures</b>	<b>7,249,192</b>	<b>7,076,883</b>	<b>7,324,574</b>	<b>7,580,934</b>	<b>7,846,267</b>	<b>8,120,886</b>	<b>8,405,117</b>	<b>9,108,235</b>
<b>Net Change in Fund Balance</b>	<b>(899,273)</b>	<b>(628,830)</b>	<b>(777,284)</b>	<b>(933,282)</b>	<b>(1,097,106)</b>	<b>(1,268,046)</b>	<b>(1,446,404)</b>	<b>(2,040,432)</b>
Fund Balance, January 1	6,631,183	5,731,910	5,103,080	4,325,796	3,392,514	2,295,408	1,027,362	(419,042)
Fund Balance, December 31	\$ 5,731,910	\$ 5,103,080	\$ 4,325,796	\$ 3,392,514	\$ 2,295,408	\$ 1,027,362	\$ (419,042)	\$ (2,459,473)

Note 1: The expenditures have been adjusted to reflect the rescinding of Benefit Plan 2 for all members. This reduces the contribution percentage each year by 2.5% beginning July 1, 2015. The reduction in contributions for projected years 2016 through 2030 are included in the total contribution lines.

Note 2: The 2016 contribution rates were received recently. The rate for Police members will be 30.86% that compares to the 2015 original contribution rate of 32.36% and the revised rate for going from BP2 to BP1 of 29.86%. The rate for Fire members will be 36.84% that compares to the 2015 original contribution rate of 39.50% and the revised rate for going from BP2 to BP1 of 37%.

City of Fort Smith, Arkansas  
Arkansas LOPFI Contribution Fund (1109)  
Projections with Rescinding Benefit Plan 2  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Years Ending December 31, 2016 through 2030  
(Continued)

Attachment 1

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues</b>								
Taxes - Ad Valorem	\$ 3,229,935	\$ 3,294,534	\$ 3,360,425	\$ 3,427,634	\$ 3,496,187	\$ 3,566,111	\$ 3,637,433	\$ 3,710,182
Intergovernmental	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Fines and forfeitures	141,000	141,000	141,000	141,000	141,000	141,000	141,000	141,000
Interest	-	-	-	-	-	-	-	-
Contributions	1,836,620	1,824,410	1,910,838	1,949,055	1,988,040	2,027,804	2,068,347	2,109,711
	610,360	622,570	635,000	647,700	660,650	673,860	687,350	701,100
Miscellaneous	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total revenues</b>	<b>7,179,115</b>	<b>7,243,714</b>	<b>7,408,463</b>	<b>7,526,589</b>	<b>7,647,077</b>	<b>7,769,975</b>	<b>7,895,330</b>	<b>8,023,193</b>
<b>Expenditures</b>								
<b>Current:</b>								
Police	4,195,718	4,363,547	4,538,088	4,719,612	4,908,397	5,104,732	5,308,922	5,521,279
Police BP2 Costs (Note 1)								
Fire	5,226,107	5,435,151	5,652,557	5,878,660	6,113,806	6,358,358	6,612,693	6,877,200
Fire BP2 Costs (Note 1)								
<b>Total expenditures</b>	<b>9,421,825</b>	<b>9,798,698</b>	<b>10,190,646</b>	<b>10,598,272</b>	<b>11,022,203</b>	<b>11,463,091</b>	<b>11,921,614</b>	<b>12,398,479</b>
<b>Net Change in Fund Balance</b>	<b>(2,242,710)</b>	<b>(2,554,984)</b>	<b>(2,782,183)</b>	<b>(3,071,683)</b>	<b>(3,375,126)</b>	<b>(3,693,116)</b>	<b>(4,026,284)</b>	<b>(4,375,286)</b>
Fund Balance, January 1	(2,459,473)	(4,702,183)	(7,257,167)	(10,039,350)	(13,111,033)	(16,486,159)	(20,179,275)	(24,205,559)
Fund Balance, December 31	\$ (4,702,183)	\$ (7,257,167)	\$ (10,039,350)	\$ (13,111,033)	\$ (16,486,159)	\$ (20,179,275)	\$ (24,205,559)	\$ (28,580,845)

Note 1: The expenditures have been adjusted to reflect the rescinding of Benefit Plan 2 for all members. This reduces the contribution percentage each year by 2.5% beginning July 1, 2015. The reduction in contributions for projected years 2016 through 2030 are included in the total contribution lines.

Note 2: The 2016 contribution rates were received recently. The rate for Police members will be 30.86% that compares to the 2015 original contribution rate of 32.36% and the revised rate for going from BP2 to BP1 of 29.86%. The rate for Fire members will be 36.84% that compares to the 2015 original contribution rate of 39.50% and the revised rate for going from BP2 to BP1 of 37%.

City of Fort Smith, Arkansas  
Arkansas LOPFI Contribution Fund (1109)  
Projections with Rescinding Benefit Plan 2, General Fund Reductions, Franchise Fee  
Increases and Implementation of Business License Fees  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Years Ending December 31, 2016 through 2030

Attachment 2

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>								
Taxes - Ad Valorem	\$ 2,756,719	\$ 2,811,853	\$ 2,868,090	\$ 2,925,452	\$ 2,983,961	\$ 3,043,640	\$ 3,104,513	\$ 3,166,603
Intergovernmental	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Franchise Fees	-	554,000	565,080	576,380	587,900	599,660	611,650	623,880
Business License Fees	-	1,435,200	1,456,700	1,478,550	1,500,500	1,523,000	1,545,000	1,568,000
Reduction in General Fund Exp.	-	170,800	170,800	170,800	170,800	170,800	170,800	170,800
Fines and forfeitures	137,000	138,000	138,000	140,000	140,000	140,000	140,000	141,000
Interest	6,000	8,000	11,000	14,000	16,000	18,000	19,000	20,000
Contributions	1,567,840	1,599,420	1,631,800	1,664,000	1,697,000	1,730,800	1,765,300	1,800,600
Contributions - 1/8% Sales Tax	521,160	531,580	542,200	553,000	564,000	575,200	586,700	598,400
Miscellaneous	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total revenues</b>	<b>6,349,919</b>	<b>8,610,053</b>	<b>8,744,870</b>	<b>8,883,382</b>	<b>9,021,361</b>	<b>9,162,300</b>	<b>9,304,163</b>	<b>9,450,483</b>
<b>Expenditures</b>								
Current:								
Police	3,424,920	3,266,163	3,380,479	3,498,795	3,621,253	3,747,997	3,879,177	4,034,344
Police BP2 Costs (Note 1)	(132,298)							
Fire	4,085,870	3,810,720	3,944,095	4,082,139	4,225,013	4,372,889	4,525,940	5,073,891
Fire BP2 Costs (Note 1)	(129,300)							
<b>Total expenditures</b>	<b>7,249,192</b>	<b>7,076,883</b>	<b>7,324,574</b>	<b>7,580,934</b>	<b>7,846,267</b>	<b>8,120,886</b>	<b>8,405,117</b>	<b>9,108,235</b>
<b>Net Change in Fund Balance</b>	<b>(899,273)</b>	<b>1,533,170</b>	<b>1,420,296</b>	<b>1,302,448</b>	<b>1,175,094</b>	<b>1,041,414</b>	<b>899,046</b>	<b>342,248</b>
Fund Balance, January 1	6,631,183	5,731,910	7,265,080	8,685,376	9,987,824	11,162,918	12,204,332	13,103,378
Fund Balance, December 31	\$ 5,731,910	\$ 7,265,080	\$ 8,685,376	\$ 9,987,824	\$ 11,162,918	\$ 12,204,332	\$ 13,103,378	\$ 13,445,627

Note 1: The expenditures have been adjusted to reflect the rescinding of Benefit Plan 2 for all members. This reduces the contribution percentage each year by 2.5% beginning July 1, 2015. The reduction in contributions for projected years 2016 through 2030 are included in the total contribution lines.

Note 2: The 2016 contribution rates were received recently. The rate for Police members will be 30.86% that compares to the 2015 original contribution rate of 32.36% and the revised rate for going from BP2 to BP1 of 29.86%. The rate for Fire members will be 36.84% that compares to the 2015 original contribution rate of 39.50% and the revised rate for going from BP2 to BP1 of 37%.

City of Fort Smith, Arkansas  
Arkansas LOPFI Contribution Fund (1109)  
Projections with Rescinding Benefit Plan 2, General Fund Reductions, Franchise Fee  
Increases and Implementation of Business License Fees  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Years Ending December 31, 2016 through 2030  
(Continued)

Attachment 2

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Revenues</b>								
Taxes - Ad Valorem	\$ 3,229,935	\$ 3,294,534	\$ 3,360,425	\$ 3,427,634	\$ 3,496,187	\$ 3,566,111	\$ 3,637,433	\$ 3,710,182
Intergovernmental	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Franchise Fees	636,350	649,070	662,050	675,290	688,800	702,800	716,800	731,130
Business License Fees	1,591,520	1,615,300	1,639,530	1,664,000	1,688,900	1,714,000	1,739,700	1,765,700
Reduction in General Fund Exp.	170,800	170,800	170,800	170,800	170,800	170,800	170,800	170,800
Fines and forfeitures	141,000	141,000	141,000	141,000	141,000	141,000	141,000	141,000
Interest	21,000	20,000	20,000	18,000	17,000	16,000	15,000	14,000
Contributions	1,836,620	1,824,410	1,910,838	1,949,055	1,988,040	2,027,804	2,068,347	2,109,711
Contributions - 1/8% Sales Tax	610,360	622,570	635,000	647,700	660,650	673,860	687,350	701,100
Miscellaneous	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>Total revenues</b>	<b>9,598,785</b>	<b>9,698,884</b>	<b>9,900,843</b>	<b>10,054,679</b>	<b>10,212,577</b>	<b>10,373,575</b>	<b>10,537,630</b>	<b>10,704,823</b>
<b>Expenditures</b>								
<b>Current:</b>								
Police	4,195,718	4,363,547	4,538,088	4,719,612	4,908,397	5,104,732	5,308,922	5,521,279
Police BP2 Costs (Note 1)								
Fire	5,226,107	5,435,151	5,652,557	5,878,660	6,113,806	6,358,358	6,612,693	6,877,200
Fire BP2 Costs (Note 1)								
<b>Total expenditures</b>	<b>9,421,825</b>	<b>9,798,698</b>	<b>10,190,646</b>	<b>10,598,272</b>	<b>11,022,203</b>	<b>11,463,091</b>	<b>11,921,614</b>	<b>12,398,479</b>
<b>Net Change in Fund Balance</b>	<b>176,960</b>	<b>(99,814)</b>	<b>(289,803)</b>	<b>(543,593)</b>	<b>(809,626)</b>	<b>(1,089,516)</b>	<b>(1,383,984)</b>	<b>(1,693,656)</b>
Fund Balance, January 1	13,445,627	13,622,587	13,522,773	13,232,970	12,689,377	11,879,751	10,790,235	9,406,251
Fund Balance, December 31	\$ 13,622,587	\$ 13,522,773	\$ 13,232,970	\$ 12,689,377	\$ 11,879,751	\$ 10,790,235	\$ 9,406,251	\$ 7,712,595

Note 1: The expenditures have been adjusted to reflect the rescinding of Benefit Plan 2 for all members. This reduces the contribution percentage each year by 2.5% beginning July 1, 2015. The reduction in contributions for projected years 2016 through 2030 are included in the total contribution lines.

Note 2: The 2016 contribution rates were received recently. The rate for Police members will be 30.86% that compares to the 2015 original contribution rate of 32.36% and the revised rate for going from BP2 to BP1 of 29.86%. The rate for Fire members will be 36.84% that compares to the 2015 original contribution rate of 39.50% and the revised rate for going from BP2 to BP1 of 37%.

**LOPFI Contribution Rates for Fort Smith Fire and Police Departments from 2003 - 2016**

<b>Year</b>	<b>Fire Department</b>	<b>Police Department</b>	<b>Benefit Program</b>
2016	36.84%	30.86%	BP 1
2015	37.00%	29.86%	BP 1 / Jul - Dec
2015	39.50%	32.36%	BP 2 / Jan - Jun
2014	38.94%	31.36%	BP 2
2013	40.16%	30.36%	BP 2
2012	40.68%	28.74%	BP 2
2011	39.14%	27.53%	BP 2
2010	36.97%	27.75%	BP 2
2009	34.30%	27.53%	BP 2
2008	33.24%	23.79%	BP 2
2007	32.93%	22.47%	BP 2
2006	32.23%	22.42%	BP 2
2005	28.88%	20.40%	BP 2
2004	22.29%	15.69%	BP 2
2003	18.83%	11.71%	BP 1

## LOPFI Portfolio Investment Return Rates for 2003 - 2014

<b>Year</b>	<b>Investment Rate of Return</b>
2003	<b>22.82%</b>
2004	<b>8.79%</b>
2005	<b>2.92%</b>
2006	<b>10.60%</b>
2007	<b>11.50%</b>
2008	<b>-25.54%</b>
2009	<b>18.07%</b>
2010	<b>10.68%</b>
2011	<b>-0.42%</b>
2012	<b>12.30%</b>
2013	<b>17.76%</b>
2014	<b>8.16%</b>

**POSSIBLE BUDGET REDUCTIONS  
TO ASSIST WITH LOPFI FUNDING**

Outside Agency Funding		\$145,800
SRCA - senior meals	*	\$176,207
Area Agency on Aging (home health care)	*	\$ 50,000
Project Compassion	*	\$ 7,500
Convention Center		\$777,000
Western Arkansas RITA		\$ 37,025
U.S. Marshals Museum		\$ 50,000
Each 1% of City's contribution rate into non-uniformed employees 401 retirement accounts (General Fund share)		\$ 87,500
Total for all funds -		\$265,110
Downtown Events (Support for Blues Festival (\$13,100), Cox Community Concert (\$5,400), Farmers Market (\$800), Christmas Honors (\$600), Fourth of July (\$850), downtown banners)		\$ 25,000

\* Reductions that would require amendment of the resolution which allocates the city's share of the county-wide sales tax revenue.

General Fund Amounts (adjusted for restricted revenues)

1%	\$ 412,030
2%	\$ 824,060
3%	\$1,236,089

**POSSIBLE REVENUE INCREASES  
TO ASSIST WITH LOPFI FUNDING**

Re-instate business license fees	\$1,435,200 - \$1,805,580
Increase franchise fee on electric, telephone, gas, and cable TV	\$ 554,000
1% franchise fee on water, sewer, and sanitation services	\$ 423,000
1/8% sales tax	\$2,500,000
1/2% Prepared Food Tax to replace General Fund funding for convention center (Total Revenue: \$900,000)	\$ 777,000

City of Fort Smith, Arkansas  
Occupation Licenses & Fees  
Estimated for 2016

Attachment 3

	<u>Accounts</u>	<u>Fee</u>	<u>Total</u>
<b>Revenues:</b>			
Business Licenses (Note 1)			
Active Registrations	5,077	\$ 150	\$ 761,550
Employee Excise Fees (Note 2)	60,727	\$ 20	<u>1,214,540</u>
Total Revenues			<u>1,976,090</u>
<b>Expenditures:</b>			
Personnel			114,510
Operating			10,000
Capital			<u>46,000</u>
Total Expenditures			<u>170,510</u>
Net Revenues			<u><u>\$ 1,805,580</u></u>

Note 1: Each business entity and each professional license will be \$150 per year.

Note 2: Each business entity will pay \$20 per employee up to a maximum of 500 employees or \$10,000 per year. This would be applied to all entities from zero employees to 500 employees.

City of Fort Smith, Arkansas  
 Occupation Licenses & Fees  
 Waiving Excise Fees for Smaller Employers  
 Estimated for 2016

Attachment 4

	<u>Accounts</u>	<u>Fee</u>	<u>Total</u>
<b>Revenues:</b>			
Business Licenses (Note 1)			
Active Registrations	5,077	\$ 150	\$ 761,550
Employee Excise Fees (Note 2)	42,208	\$ 20	<u>844,160</u>
Total Revenues			<u>1,605,710</u>
<b>Expenditures:</b>			
Personnel			114,510
Operating			10,000
Capital			<u>46,000</u>
Total Expenditures			<u>170,510</u>
Net Revenues			<u>\$ 1,435,200</u>

Note 1: Each business entity and each professional license will be \$150 per year.

Note 2: Each business entity will pay \$20 per employee for employees totaling from 26 to a maximum of 500 employees. Business entities with 25 or fewer employees would not be charged excise fees. The maximum excise fee for an entity with 500 or more employees would be \$10,000 per year.

# Board Info



## Fort Smith Police Department

Kevin Lindsey, Chief of Police

### INTERDEPARTMENTAL MEMORANDUM

**To:** Ray Gosack, City Administrator

**From:** Kevin Lindsey, Chief of Police

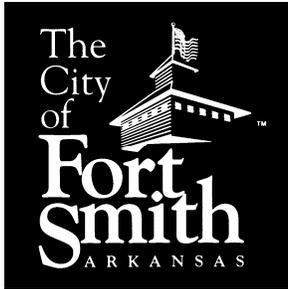
**Subject:** Generating Additional Revenue through Adoption of Ordinances in Lieu of State Statutes

**Date:** June 18, 2015

I was recently asked to investigate the possibility of producing additional revenue for the City's General Fund through the adoption of Ordinances that mirror state statutes for violations of traffic law and other misdemeanor offenses. The rationale being that revenue from fines collected by the Court following adjudication of these types of violations through the Fort Smith Division of the Sebastian County District Court would increase since they would be directed toward the City, rather than the County.

I met with Sebastian County District Court, Fort Smith Division Court Clerk Rachel Sims and Fort Smith Division Presiding Judge David Saxon, to discuss this idea. I was told there would be no financial advantage for the City in undertaking the creation of City Ordinances to be utilized for prosecuting traffic and misdemeanor offenses occurring in the City. The reason being that disposition of court costs are specifically delineated in A.C.A. § 16-10-305, which cites specific court costs for circuit court and district courts. The fines assessed in the Fort Smith Division are already designated for the City's General Fund regardless if they are cited under city ordinance or state statute. Essentially, distribution of court costs and fines from adjudicated violations of traffic and misdemeanor violations would not differ much from the current distribution and would not have the desired effect of increasing City revenues, since state statutes already delineate this process. In addition, fine collections are not a stable source of revenue for the City's General Fund, thus I would not recommend using them as a consistent source for offsetting pension fund deficits.

Please let me know if you have further questions.



## MEMORANDUM

June 19, 2015

**TO:** Mayor and Board of Directors

**FROM :** Ray Gosack, City Administrator

**SUBJECT:** Local Purchasing Preference

One of Fort Smith's priorities during the 2015 legislative session was to create a local purchasing preference. Such a preference helps keep tax and rate dollars in the local economy. With the support of the Arkansas Municipal League, the legislature adopted Act 1059 (copy attached) which creates a local purchasing preference when competitive bidding is used.

Formal competitive bidding is used for purchases over \$75,000 (\$20,000 for public works contracts). The new law wouldn't apply to purchases less than these amounts. Purchases over \$1,000 require competitive quotes. Smaller purchases are customarily made from local vendors when the goods or services are available locally.

The new law gives cities flexibility in crafting the local purchasing preference. Specifically, we can:

- Determine what types of purchases the preference will apply to.
- Determine the amount of the preference up to 5%.
- Set a dollar cap on the amount of the preference for a purchase.

The staff recommends that all types of purchases allowed by Act 1059 be eligible for the local purchasing preference with the following exceptions:

- ▶ Purchases made through a cooperative purchasing agreement or an inter-local agreement.

- ▶ Purchases or contracts made under emergency conditions.

We also recommend that the preference be 5%, with a maximum preference of \$100,000, and that vendors claiming the local purchasing preference have a valid business registration/license with the city.

Purchases made with state or federal grant funds won't be eligible for the local purchasing preference in most cases. Ongoing examples of these would be purchases made with CDBG funds or with transit funds. A construction project funded with federal funds also wouldn't be eligible for the local purchasing preference since the federal government doesn't allow these preferences.

Attached is information which shows how the recommended local purchasing preference policy would have impacted contract awards in the engineering and utilities departments for the last 3 years, and our annual fleet purchases for the last 3 years. Below is a summary of the comparisons.

For street and drainage projects, there's only 2 contract awards during the last 3 years that would have changed if a local purchasing preference was in place. On one of the contracts, the increased cost would have been \$462.15 or .03% (three one-hundredths of 1%) of the contract amount.

On the other project, the increased cost would have been \$43,949.75 or 4% of the contract amount.

For water and sewer projects, only 2 contract awards would have been affected. On one of the contracts, the increased cost would have been \$31,387 or 2.64% of the contract amount. On the other project, the increased cost would have been \$11,426 or 1.22% of the contract amount.

In 2014, there were 7 fleet purchases from vendors located outside of Fort Smith. Had the local purchasing preference existed, 6 of those 7 purchases would have been from Fort Smith-based businesses. The local preference would have resulted in higher payments of \$3,556.52 for those 6 vehicles. Five vehicle purchases in 2013 and 2 vehicle purchases in 2012 would have been affected.

After the board's discussion, the staff and city attorney will prepare an ordinance that adopts the local purchasing preference for Fort Smith. We anticipate having the ordinance ready for the July 21<sup>st</sup> board meeting.

Attachments

1 State of Arkansas  
2 90th General Assembly  
3 Regular Session, 2015  
4  
5 By: Representative Blake  
6

As Engrossed: H3/4/15  
**A Bill**

HOUSE BILL 1480

7 **For An Act To Be Entitled**

8 AN ACT TO AMEND THE LAW CONCERNING THE PREFERENCE OF  
9 MUNICIPAL BIDDING; AND FOR OTHER PURPOSES.

10  
11  
12 **Subtitle**

13 TO AMEND THE LAW CONCERNING THE  
14 PREFERENCE OF MUNICIPAL BIDDING.

15  
16  
17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

18  
19 *SECTION 1. Arkansas Code Title 14, Chapter 58, Subchapter 1, is*  
20 *amended to add an additional section to read as follows:*

21 14-58-105. Purchase of commodities or services by municipalities  
22 through competitive bidding -- Preference among bidders -- Definitions.

23 (a) As used in this section:

24 (1) "Commodities" means all property, including without  
25 limitation equipment, printing, stationery, supplies, insurance, and capital  
26 improvements, but excluding leases on real property, real property, or a  
27 permanent interest in real property, and exempt commodities and services;

28 (2) "Firm resident in the municipality" means any  
29 individual, partnership, association, or corporation, whether domestic or  
30 foreign, that:

31 (A) Maintains at least one (1) staffed place of  
32 business located within the corporate limits of the municipality; and

33 (B) For not less than two (2) successive years  
34 immediately before submitting a bid, has paid taxes to the county that  
35 benefit the municipality on either real or personal property used or intended  
36 to be used in connection with the firm's business;



02-26-2015 14:55:39 KLC034

1                   (3) "Lowest qualified bid" means the lowest bid that  
2 conforms to the specifications and request for bids;

3                   (4) "Municipality" means an incorporated town, a city of  
4 the first class, and a city of the second class;

5                   (5) "Nonresident firm" means a firm that is not included  
6 in the definition of a "firm resident in the municipality"; and

7                   (6) "Services" means labor, time, or effort furnished by a  
8 contractor.

9                   (b)(1)(A) In the purchase of commodities or services by competitive  
10 bidding, a municipality may grant by ordinance a percentage preference to the  
11 lowest qualified bid from a firm resident in the municipality.

12                   (B) The ordinance may provide a preference of up to five  
13 percent (5%) for a bidder that qualifies as a firm resident in the  
14 municipality.

15                   (C) The ordinance may place a specific dollar cap on the  
16 total monetary amount of preference granted, regardless of the bid amount or  
17 percentage of preference designated in the ordinance.

18                   (D)(i) In calculating the preference to be allowed, the  
19 appropriate procurement officials shall take the total amount of each bid of  
20 each firm resident in the municipality who claimed the preference and deduct  
21 the percentage mandated by ordinance, if applicable, from the total amount of  
22 each bid.

23                   (ii) If after making the deduction the bid of any  
24 firm resident in the municipality claiming the preference is lower than the  
25 bid of the nonresident firm, then the award shall be made to the firm  
26 resident in the municipality that submitted the lowest qualified bid, whether  
27 or not that particular firm resident in the municipality claimed the  
28 preference.

29                   (2)(A) The preference provided for in this section only applies  
30 in comparing bids when one (1) or more bids are by a firm resident in the  
31 municipality and the other bid or bids are by a nonresident firm.

32                   (B) The preference provided for in this section does not  
33 apply to competing bids if each bidder is a firm resident in the  
34 municipality.

35                   (C)(i) If any provision or condition of this section or  
36 the municipal ordinance conflicts with any provision of federal or state law

1 or any rule or regulation made under federal or state law pertaining to  
2 federal grants-in-aid programs or other federal or state aid programs, the  
3 provision or condition shall not apply to the state-supported or federal-  
4 supported contracts for the purchase of commodities or services to the extent  
5 that the conflict exists.

6 (ii) However, all provisions or conditions of this  
7 section with which there is no conflict apply to contracts to purchase  
8 commodities or services to be paid, in whole or in part, from federal funds.

9 (c) The provisions of this section, if adopted by local ordinance,  
10 shall apply to public works projects, capital improvements, commodities,  
11 materials, equipment, and services procured by the municipality.

12 (d) When circumstances arise to which this section and § 19-11-259  
13 apply, both the preference provided under this section and the preference  
14 provided under § 19-11-259 also apply.

15 (e) To the extent that federal purchasing laws or bidding preferences  
16 conflict, this section does not apply to projects related to supplying water  
17 or wastewater utility services, operations, or maintenance to a federal  
18 military installation by a municipality of the state.

19  
20 SECTION 2. The lead-in language of Arkansas Code § 22-9-203(a),  
21 concerning the award procedure for public improvement projects generally, is  
22 amended to read as follows:

23 (a) ~~No~~ Except as provided under § 14-58-105, a contract providing for  
24 the making of major repairs or alterations, for the erection of buildings or  
25 other structures, or for making other permanent improvements shall not be  
26 entered into by the state or ~~any~~ an agency thereof, any of the state or by a  
27 county, municipality, school district, or other local taxing unit with any  
28 contractor in instances ~~where~~ in which all estimated costs of the work shall  
29 exceed the sum of twenty thousand dollars (\$20,000) unless:

30  
31 /s/Blake

32  
33  
34 **APPROVED: 04/04/2015**

**CONTRACT AWARD SUMMARY**

**Street and Drainage Projects, 2012-2015 (To date)**

<u>Project No.</u>	<u>Project Name</u>	<u>Contractor</u>	<u>Location</u>	<u>Bid Amount</u>	<u>Bid Amount with 5% local preference</u>	<u>Low Bidder changed by 5% local preference</u>	<u>Increase in Bid using 5% local preference</u>
14-90-A	7th Street - Street Overlay/Reconstruction & Trolley Extension	Township Builders	Little Rock, AR	\$713,760.00			
		Steve Beam Construction	Fort Smith, AR	\$796,585.75	\$756,756.46	N	N/A
13-03-A	Street Overlays / Reconstruction, Ph. A	T-N-T, Inc.	Van Buren, AR	\$1,785,026.06			
		Forsgren, Inc.	Fort Smith, AR	\$1,785,488.21	\$1,696,213.80	Y	\$462.15
13-06-A	Neighborhood Drainage, Phase A	Township Builders	Little Rock, AR	\$1,943,072.00			
		Forsgren, Inc.	Fort Smith, AR	\$2,086,788.00	\$1,982,448.60	N	N/A
12-00-A	McClure Amphitheater Rd.	Crawford Construction	Van Buren, AR	\$1,089,115.00			
		Forsgren, Inc.	Fort Smith, AR	\$1,133,064.75	\$1,076,411.51	Y	\$43,949.75
12-06-A	Drainage Improvements	N.E.C.	Springdale, AR	\$675,530.85			
		Forsgren, Inc.	Fort Smith, AR	\$749,002.50	\$711,552.38	N	N/A
12-06-E	May Branch Outfall Culvert Replacement	Mobley Contractors	Morrilton, AR	\$5,490,387.78			
		Goodwin & Goodwin	Fort Smith, AR	\$7,143,980.00	\$6,786,781.00	N	N/A
12-90-A	Towson Avenue Streetscape Improvements	Township Builders, Inc.	Little Rock, AR	\$649,485.00			
		Forsgren, Inc.	Fort Smith, AR	\$685,157.00	\$650,899.15	N	N/A
15-06-A	Neighborhood Drainage, Phase A	Steve Beam Construction	Fort Smith, AR	\$817,504.00			
		Brothers Construction	Van Buren, AR	\$947,886.00	N/A	N	
14-00-A	McClure Drive Extension	Forsgren, Inc.	Fort Smith, AR	\$2,625,977.25			
		Township Builders, Inc.	Little Rock, AR	\$3,219,658.00	N/A	N	
14-03-A	Street Overlays / Reconstruction, Ph. A	Forsgren, Inc.	Fort Smith, AR	\$2,080,125.67			
		Goodwin & Goodwin	Fort Smith, AR	\$2,119,857.00	N/A	N	
14-03-B	Street Overlays / Reconstruction, Ph. B	Forsgren, Inc.	Fort Smith, AR	\$2,119,570.81			
		Goodwin & Goodwin	Fort Smith, AR	\$2,370,263.25	N/A	N	
14-03-C	Street Overlays / Reconstruction, Ph. C	Forsgren, Inc.	Fort Smith, AR	\$2,024,864.75			
		T-N-T, Inc.	Van Buren, AR	\$2,152,549.60	N/A	N	

**CONTRACT AWARD SUMMARY**

**Street and Drainage Projects, 2012-2015 (To date)**

<u>Project No.</u>	<u>Project Name</u>	<u>Contractor</u>	<u>Location</u>	<u>Bid Amount</u>	<u>Bid Amount with 5% local preference</u>	<u>Low Bidder changed by 5% local preference</u>	<u>Increase in Bid using 5% local preference</u>
14-09-A	Traffic Signals - Towson/Fresno & Midland/32nd	Traffic Signals, Inc. Traffic & Lighting Systems, Inc.	Edmond, OK Edmond, OK	\$451,086.75 \$453,617.00		N/A N	
14-85-A	2014 Street Striping Replacement	Advanced Workzone Services Time Striping	Muskogee, OK Van Buren, AR	\$51,456.86 \$54,628.20		N/A N	
13-03-B	Street Overlays / Reconstruction, Ph. B	Forsgren, Inc. Goodwin & Goodwin	Fort Smith, AR Fort Smith, AR	\$2,318,809.90 \$2,435,437.30		N/A N	
13-03-C	Street Overlays / Reconstruction, Ph. C	Forsgren, Inc. Goodwin & Goodwin	Fort Smith, AR Fort Smith, AR	\$1,745,522.18 \$2,015,301.00		N/A N	
13-06-B1	Neighborhood Drainage, Phase B	Forsgren, Inc. Township Builders	Fort Smith, AR Little Rock, AR	\$510,909.00 \$535,762.00		N/A N	
13-09-A	Traffic Signals - 10th & "A" and 10th & "B"	Traffic Signals, Inc. All Service Electric	Edmond, OK Hot Springs, AR	\$238,492.50 \$251,954.45		N/A N	
13-90-A	Dallas Street - Repair / Diamond Grinding	Forsgren, Inc. T-N-T, Inc.	Fort Smith, AR Van Buren, AR	\$230,592.75 \$295,190.00		N/A N	
12-00-C	Flagstone Road Extension	Goodwin & Goodwin Forsgren, Inc.	Fort Smith, AR Fort Smith, AR	\$623,501.00 \$674,320.20		N/A N	
12-03-A	Street Overlays / Reconstruction, Phase A	Forsgren, Inc. T-N-T, Inc.	Fort Smith, AR Van Buren, AR	\$1,416,511.10 \$1,471,596.02		N/A N	
12-03-B	Street Overlays / Reconstruction, Phase B	Forsgren, Inc. Township Builders	Fort Smith, AR Little Rock, AR	\$2,454,188.50 \$2,865,227.00		N/A N	
12-03-C	Street Overlays / Reconstruction, Phase C	Forsgren, Inc. T-N-T, Inc.	Fort Smith, AR Van Buren, AR	\$1,416,511.10 \$1,471,596.02		N/A N	
12-06-C1	Drainage Improvements	Goodwin & Goodwin Crawford Construction	Fort Smith, AR Van Buren, AR	\$1,279,124.00 \$1,545,735.25		N/A N	
12-06-C2	Drainage Improvements	Forsgren, Inc. Goodwin & Goodwin	Fort Smith, AR Fort Smith, AR	\$630,662.58 \$789,478.50		N/A N	
<b>Total of 25 projects</b>			<b>Total Awarded Contract Amount</b>	<b>\$35,381,787.39</b>	<b>Total Amount affected using local preference (Impacted 2 of 25 total projects)</b>		<b>\$44,411.90</b>

Project No.	Project Name	Contractor	Location	Bid Amount	Difference	% Difference	5%-\$50,000	5%-100,000
11-07-C1	Candlestick (Station 19) Force Main Replacement	Crawford Construction Co.	Van Buren	\$1,190,847.00				
		Goodwin & Goodwin, Inc.	Fort Smith	\$1,222,234.00	\$31,387.00	2.64%	Yes	Yes
		Forsgren, Inc.	Fort Smith	\$1,335,452.00				
11-08-C1	River Front Development Water and Sewer Extensions	Forsgren, Inc.	Fort Smith	\$364,615.85		N/A	No	No
		Crawford Construction Company	Van Buren	\$384,068.90				
		Brothers Construction	Van Buren	\$417,976.00				
		Goodwin & Goodwin	Fort Smith	\$427,435.00				
11-08-C2	River Front Development Water and Sewer Extension Phase II	NEC, Inc.	Rogers	\$939,980.00				
		Kraus Construction	Fort Smith	\$951,406.00	\$11,426.00	1.22%	Yes	Yes
		Forsgren, Inc.	Fort Smith	\$1,004,356.75				
		Goodwin & Goodwin	Fort Smith	\$1,053,017.10				
11-09-C1	Basin 11-1 Collection System Improvements (MC02)	T.G. - Excavating, Inc.	Catoosa, OK	\$2,044,444.00				
		Goodwin & Goodwin	Fort Smith	\$2,317,030.00	\$272,586.00	13.33%	No	No
		Forsgren, Inc.	Fort Smith	\$2,836,230.00				
11-11-C1	Highway 71 Interchange 12-Inch Water Line Relocation	Goodwin & Goodwin	Fort Smith	\$724,911.50		N/A	No	No
		A. J. Greenwood	Van Buren	\$825,449.00				
		T-N-T	Van Buren	\$884,214.50				
		Forsgren, Inc.	Fort Smith	\$1,048,378.50				
11-12-C1	2011 Sanitary Sewer Improvements Phase I	T-G Excavating	Catoos, OK	\$1,977,777.00				
		Forsgren, Inc.	Fort Smith	\$2,493,287.50	\$515,510.50	26.07%	No	No
		Goodwin & Goodwin	Fort Smith	\$2,642,665.00				
		Building & Utility Contractors	Redfield	\$2,659,661.00				
11-17-C1	2011 Sanitary Sewer Improvements Phase II	T-G Excavating	Catoosa, OK	\$2,281,111.00				
		Goodwin & Goodwin	Fort Smith	\$2,736,114.00	\$455,003.00	19.95%	No	No
12-03-C1	24-Inch Water Transmission Line - Edwards Street	Diamond Construction Company	N Little Rock	\$1,586,646.00				
		Forsgren, Inc.	Fort Smith	\$1,717,354.80	\$130,708.80	8.24%	No	No
		Crawford Construction Co.	Fort Smith	\$1,758,506.00				
		Goodwin & Goodwin	Fort Smith	\$1,790,150.00				
12-04-C1	Chaffee Crossing Water Supply Improvements - Chad Colley & Custer Boulevard Water Lines	Diamond Construction Company	N Little Rock	\$910,833.40				
		Garney Commpaies, Inc.	Kansas City, MO	\$934,955.01				
		Double S Construction	Poteau, OK	\$955,551.00				
		Kraus Construction	Fort Smith	\$958,386.00	\$47,552.60	5.22%	No	No
		BRB Contracting, Inc.	Topeka, KS	\$971,596.00				
		M Phillips Construction	Magazine	\$989,280.00				
		TNT, Inc.	Van Buren	\$1,102,406.00				
		AJ Greenwood Excavation & Plumbing	Van Buren	\$1,136,864.00				
		Goodwin & Goodwin, Inc.	Fort Smith	\$1,154,242.00				
		CoBar Contracting, Inc.	N Little Rock	\$1,156,467.40				
Forsgren, Inc.		\$1,183,703.00						
12-04-C2	Chaffee Crossing Water Supply Improvements-Geren Road & Massard Road Water Lines	M Phillips Construction	Magazine	\$4,661,851.00				
		Forsgren, Inc.	Fort Smith	\$4,837,290.65	\$175,439.65	3.76%	No	No
		Garney Companies, Inc.	Kansas City, MO	\$4,846,626.50				

		Hargan Construction, Inc.	Desha	\$4,981,385.00				
		Crawford Construction Company	Fort Smith	\$5,532,594.25				
		Goodwin & Goodwin, Inc.	Fort Smith	\$5,795,215.00				
		S & J Construction	Jacksonville	\$6,929,464.04				
12-04-C3	Chaffee Crossing Water Supply Improvements	Crawford Construction Co.	Van Buren	\$1,404,600.00				
		J. L. Bryson, Inc.	Huntsville	\$1,503,700.00				
		Goodwin & Goodwin	Fort Smith	\$1,518,000.00	\$113,400.00	8.07%	No	No
		VEI General Contractors	Russellville	\$1,538,685.00				
		Beshears Construction	Fort Smith	\$1,543,000.00				
		Crossland Heavy Contractors	Columbus, KS	\$1,682,900.00				
		Kraus Construction	Fort Smith	\$1,786,000.00				
12-08-C1	Basin 9 Collection System Improvements	Forsgren, Inc.	Fort Smith	\$2,370,320.30	N/A		No	No
		Arkansas Cleaning & Televising	Little Rock	\$2,478,245.00				
		Goodwin & Goodwin	Fort Smith	\$2,595,710.00				
		T-G Excavating	Catoosa, OK	\$3,111,111.00				
12-12-C1	Mill Creek Interceptor Improvements – Phase II	Forsgren, Inc.	Fort Smith	\$1,917,753.10	N/A		No	No
		Rosetta Construction, LLC	Springfield, MO	\$2,359,355.00				
		KAJACS Contractors, Inc.	Maumelle	\$2,475,000.00				
		Goodwin & Goodwin	Fort Smith	\$2,571,131.00				
		Carstensen Contracting, Inc.	Pipestone, MN	\$2,695,316.75				
		S & J Construction Co., Inc.	Jacksonville	\$2,865,893.60				
12-13-C1	Sunnymede Interceptor Improvements	Forsgren, Inc.	Fort Smith	\$1,526,133.50	N/A		No	No
		Goodwin & Goodwin	Fort Smith	\$1,934,648.00				
13-03-C1	Massard Interceptor Access Improvements	Goodwin & Goodwin	Fort Smith	\$197,560.00	N/A		No	No
		Forsgren, Inc.	Fort Smith	\$231,627.95				
		Crawford Construction Company	Van Buren	\$241,998.50				
13-04-C1	Chaffee Crossing Area F Sewer Extension	Forsgren, Inc.	Fort Smith	\$216,509.10	N/A		No	No
		Harris Company	Fort Smith	\$226,791.00				
		Brothers Construction	Van Buren	\$261,884.00				
		Goodwin & Goodwin	Fort Smith	\$273,396.50				
		Crawford Construction	Van Buren	\$314,183.25				
13-08-C1	Sunnymede Force Main Emergency Repair 74th and Horan Drive	Crawford Construction Company	Van Buren	\$116,950.00				
		Forsgren, Inc.	Fort Smith	\$153,919.00	\$36,969.00	31.61%	No	No
<b>Summary</b>				\$24,432,842.75			2 projects	2 projects

The impact of ACT 1059 "Preference of Municipal Bidding" on Fleet Purchases

Awarded Fleet Bids (2012-2015)	Non Local Vendor	Local Vendor	Bid Difference	5% Bid Preference Differential	Qualified Bids with Local Vendor Preference Policy
2012	\$24,175.00	\$25,145.00	\$970.00	\$1,257.25	Yes
	\$19,108.00	\$23,225.00	\$4,117.00	\$1,161.25	No
	\$33,073.00	\$33,304.00	\$231.00	\$1,665.20	Yes
			<u>\$1,201.00</u> *		
2013	\$22,089.00	\$22,203.00	\$114.00	\$1,110.15	Yes
	\$22,849.00	\$23,056.00	\$207.00	\$1,152.80	Yes
	\$30,638.00	\$33,571.00	\$2,933.00	\$1,678.55	No
	\$24,139.50	\$24,415.00	\$275.50	\$1,220.75	Yes
	\$23,938.50	\$24,749.00	\$810.50	\$1,237.45	Yes
	\$28,949.50	\$30,206.00	\$1,256.50	\$1,510.30	Yes
			<u>\$2,663.50</u> *		
2014	\$22,185.68	\$23,186.00	\$1,000.32	\$1,159.30	Yes
	\$23,725.00	\$24,392.00	\$667.00	\$1,219.60	Yes
	\$38,797.32	\$39,900.00	\$1,102.68	\$1,995.00	Yes
	\$23,765.64	\$23,935.00	\$169.36	\$1,196.75	Yes
	\$37,491.02	\$37,875.00	\$383.98	\$1,893.75	Yes
	\$35,515.82	\$35,749.00	\$233.18	\$1,787.45	Yes
	\$27,981.01	\$30,564.00	\$2,582.99	\$1,528.20	No
			<u>\$3,556.52</u> *		
2015	\$29,748.99	\$30,413.00	\$664.01	\$1,520.65	Yes
			<u>\$664.01</u> *		

\* Additional expense if 5% Bid Preference was in place (excludes the "No's")

## Interoffice Memorandum

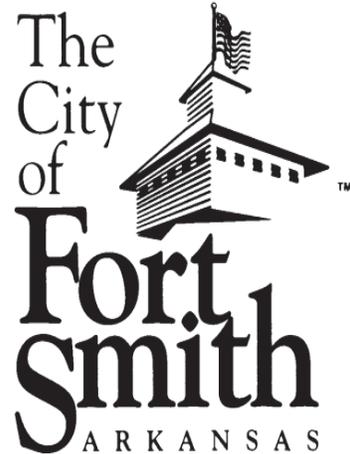
**TO:** Ray Gosack, City Administrator

**COPY TO:** Kara Bushkuhl, Director of Finance  
Jennifer Walker, Deputy Director of Finance

**FROM:** Alie Bahsoon, Purchasing Manager *AB*

**SUBJECT:** City Purchasing Procedures

**DATE:** June 15, 2015



The City of Fort Smith currently operates under a coordinated purchasing structure which embraces a decentralized procurement process, but includes elements of centralized procurement to ensure organizational consistency. The combination of these structures allows for good internal control and system-wide efficiencies without excessive limitations on departments.

The City's Municipal Code provides the foundation of the City's purchasing process found under [Chapter 2, Division 2 of the Fort Smith Code of Ordinances \(attached\)](#).

As one of the 6 programs under the Finance Department, the Purchasing Department employs two full time employees (Purchasing Manager & Accounting Technician). The department supports Finance in delivering cost savings and improving the ability to control budgets and cash outflows. Having the Purchasing Department within the Finance Division helps strengthen internal controls and provides added transparency as it integrates with the finance systems such as encumbrance accounting and fixed assets controls.

The Purchasing Department acts as a facilitator for other departments since procurement primarily occurs at the department level, from planning to order placement to receiving the purchases. Buying is executed where and how it makes the most sense, while the purchasing department facilitates the process, contributes structure, and ensures compliance with the purchasing rules and regulations.

The *primary* functions of the Purchasing Department are:

- Purchasing management
- Thoughtful policy implementation
- Adequate training
- Monitoring of purchases in accordance with City and State statutes
- Exercise positive financial accountability in the expenditure of City funds and the conservation of the taxpayer's dollars
- Improve the quality and timeliness of services rendered to all city departments
- Provide a meaningful partnership with the business community

- Promote honesty and integrity throughout government operations
- Ensures the fair and equitable treatment of all persons who deal with the purchasing system of the City.
- Ensures purchasing is integrated with other finance functions such as budgeting, accounts payable, and financial reporting.

Our current purchasing processes provide checks and balances by ensuring policy compliance, maintain control, and are characteristics of a centralized system in many regards. For example, purchase and check requests require three levels of approval: Department level, Purchasing level, and Finance level. By using this multi-review process, any procedural inconsistencies are quickly discovered and corrected. Additionally, many common goods such as fuel, oil, chemicals, aggregates, fleet (trucks and automobiles), etc. are acquired through a centralized process. Departments have the flexibility to purchase and store small items based on product preference. We also participate in various State of Arkansas contracts and numerous purchasing cooperative programs (at no cost to the City). These produce cost savings through nationally leveraged pricing and provide opportunities for greater efficiency and economy in acquiring goods and services.

### **Comparison of a Centralized versus a Decentralized Procurement Processes**

It is unlikely that any procurement process represents a pure version of either a centralized or decentralized process. When comparing a centralized process with a decentralized process, each form of procurement offers advantages and disadvantages as follows:

#### Centralized Procurement - Advantages

- Enhanced consistency and standardization in procurement process
- Centralized authority and decision making responsibility
- Better achieve economies of scale by consolidating departmental requirements for commonly used goods and services (bulk purchasing)
- Could be helpful in large complex purchases that require the issuance of an RFP for staff involved in purchasing only on an occasional basis
- Single point of contact for vendors and the business community

#### Centralized Procurement - Disadvantages

- Would require additional personnel (at least 2 FTE's), a warehouse location to store inventory, and substantial financial investment
- Adds additional time (and cost) and further delays the purchasing of small items
- Additional time to educate the procurement office regarding particular departmental needs
- Loss of control over daily management of a department by department heads
- More hierarchy and bureaucracy

#### Decentralized Procurement – Advantages

- Departments can procure what they need, when they need it and procurement is accomplished efficiently and quickly
- Delegate administrative responsibility and authority to department level

- Department managers are more familiar with their programming needs
- Allows departments to respond rapidly to changing conditions
- Provides flexibility to manage a responsive departmental citizen service delivery system
- City personnel are familiar with current processes and procedures

#### Decentralized Procurement - Disadvantages

- Organizational inconsistency in applying procurement rules, regulations and processes
- Departments don't always have expertise in purchasing certain items
- Departments sometimes have difficulties when purchasing larger items or services that require the issuance of an RFP
- Higher pricing when frequently ordering smaller quantities

In reviewing and evaluating the City's purchasing process, it is my recommendation that we continue operating under a coordinated purchasing structure which incorporates the advantages of both the decentralized and centralized processes. Our existing "environment" does not allow for complete centralization and our primary hurdles include: location, additional qualified personnel ("buyers" familiar with the markets and pricing for the various commodities), and funding.

In order to continue improving the coordinated purchasing process, we have identified several areas to focus improvements.

- Identify and designate authorized buyers from each department
- Update comprehensive purchasing policies and procedures to improve internal controls
- Identify and develop relationships with strategic partners and preferred suppliers, and require departments to use them unless justified otherwise
- Develop and maintain vendor measurable key performance indicators
- Implement a Procurement Card (P-Card) program, which can be used for purchases of all non-restricted commodities from any merchant that accepts a credit card as a form of payment; other limits for use of the P-Card would be established as well.

If you should have any questions, please do not hesitate to let me know.

## DIVISION 2. - PURCHASES

### FOOTNOTE(S):

--- (8) ---

**Editor's note**— Resolution No. R-95-99, adopted April 20, 1999, set forth procedures for protests of bid awards as follows:

The city administrator is authorized to implement the following protest of bid award procedure for all city sealed bids taken by the city's purchasing department:

Any protest of bid award must be made in writing and received by the purchasing department no later than three (3) days after notice of intent to award has been made. Additionally, if the subject purchase requires board of directors' approval, written protest must be received by the purchasing department no later than five (5) days prior to the next board of directors meeting at which the recommended bid award will be considered.

The foregoing procedure shall not be applicable to contracts for public works not administered by the city's purchasing department.

#### Sec. 2-181. - Authority of administrator.

The city administrator, or designated representative, shall have the exclusive power and responsibility to make purchases of or contract for any supplies, materials or equipment for the various offices, departments and agencies of the city government, and to make or authorize contracts for services to be rendered to the city or for the construction of municipal improvements.

(Code 1976, § 2-140)

**State law reference**— Similar provisions, A.C.A. § 14-48-117(5)(A)(i).

#### Sec. 2-182. - Procedures for purchase of supplies, services.

- (a) In exercising his authority as set forth in section 2-181, the city administrator, or designated representative, shall conform to the procedures in this section.
- (b) The following procedures shall apply to purchases of or contracts for any supplies, materials or equipment for the various offices, departments and agencies of city government (purchases) or for the construction of municipal improvements (contracts):
  - (1) All purchases or contracts where the expenditure therefor is less than one thousand dollars (\$1,000.00) may be made by the city administrator, or designated representative, without securing oral or written competitive quotes.
  - (2) All purchases or contracts where the expenditure is one thousand dollars (\$1,000.00) or more, but less than seven thousand five hundred dollars (\$7,500.00) may be made by the city administrator, or designated representative, after securing oral competitive quotes therefor.
  - (3) All purchases where the expenditure therefor is seven thousand five hundred dollars (\$7,500.00) or more, but less than seventy-five thousand dollars (\$75,000.00) may be made by the city administrator, or designated representative, after the securing of three (3) or more written competitive quotes, if possible. If three (3) written competitive quotes are not obtained, the purchase request form must show the names of at least three (3) suppliers contacted in attempting to obtain competition or note the reason three (3) suppliers were not contacted.

- (4) All purchases where the expenditure is seventy-five thousand dollars (\$75,000.00) or more may be made after the securing of competitive written bids and with the approval of the bid by the city administrator and board of directors.
  - (5) All contracts where the expenditure therefor is seven thousand five hundred dollars (\$7,500.00) but less than twenty thousand dollars (\$20,000.00) may be made by the city administrator, or his designated representative, after the securing of three (3) or more written bids. If three (3) written bids are not obtained, the purchase request form must show the names of at least three (3) firms contacted in attempting to obtain competition or note the reason three (3) firms were not contacted.
  - (6) All contracts where the expenditure is twenty thousand dollars (\$20,000.00) or more may be made with the approval of the board of directors after securing of competitive bids.
- (c) The following procedures shall apply to all contracts for services, other than those expressly provided for in subsection (d) of this section, to be rendered to the city:
- (1) Utilizing budgeted funds, the city administrator is authorized to enter into any such contract for services where the expenditure therefor is not more than seventy-five thousand dollars (\$75,000.00) after soliciting and reviewing written proposals from interested and qualified providers of such services. Such written proposals shall include a statement of the scope of services to be provided, qualifications of the providers of the services, fees and charges, and any other information the city administrator may require.
  - (2) Utilizing budgeted funds, the city administrator is authorized to enter into any such contract for services where the expenditure is seventy-five thousand dollars (\$75,000.00) or more but less than three hundred thousand dollars (\$300,000.00) after soliciting and reviewing written proposals from interested and qualified providers of such services. Such written proposal shall include a statement of the scope of services to be provided, qualifications of the providers of the services, fees and charges, and any other information the city administrator may require. With reference to those contracts described in this subsection, before execution of any such contract for services on behalf of the city, the city administrator shall notify the board of directors in writing of the execution of the contract for services, the designation of the budgeted fund from which such contract for services will be paid and the date on which execution of the contract will be made.
  - (3) The city administrator is authorized to secure competitive bids for any such contract for services where the expenditure is three hundred thousand dollars (\$300,000.00) or more. Such written bids shall include a statement of the scope of services to be provided, qualifications of the providers of the services, fees and charges, and any other information the city administrator may require. The selected bid shall require approval of the city administrator and the board of directors.
- (d) In keeping with the A.C.A. title 19, chapter 11, subchapter 8 (section 19-11-801 et seq.), it is determined to be the policy of the city that the city shall authorize contracts for external accounting; legal; financial advisory; architectural; consulting; engineering; construction management; land surveying, title search and insurance services; graphic design; advertising and video production services; software and website development services; and land acquisition and appraisal services to be provided to the city on a negotiated basis, and the city shall negotiate contracts for any other professional services when directed by state law.

The following procedure shall apply to the procurement of such contracts:

- (1) The term "city administrator" shall refer to the city administrator or the administrator's designated agent. The term "firm" shall refer to any professional person or a firm of professionals.
- (2) Such contracts shall be negotiated based on demonstrated competence and qualifications and at fair and reasonable prices.
- (3) Utilizing budgeted funds, all contracts providing for total compensation for services and expenses to be supplied to the city of seventy-five thousand dollars (\$75,000.00) or less shall be entered

into by the city administrator. All contracts for services in excess of seventy-five thousand dollars (\$75,000.00) shall be authorized by the board of directors.

- (4) The city administrator shall cause to be published in a newspaper having general circulation in the city a notice indicating that the city will receive, for a 15-day period including the date of notice, statements of qualifications and performance data from all firms who provide professional services such as lawyers, architects, engineers or land surveyors or other professional services designated in the notice. Submitted statements of qualifications and performance data shall be utilized in the procurement process for service contracts. On or before the fifteenth day of September of each calendar year, a notice shall be so published indicating that such professionals may submit statements of qualifications and performance data by the fifteenth day of November of the year of publication, which submitted information will be used in the procurement of service contracts by the city during the one-year period commencing with the first calendar day of the year following the year of publication. At any time the city enters into the procurement of any contract for such professional services, all then current statements of qualification and performance data on file with the city and all additional statements of qualification and performance data obtained by or submitted to the city, whether as a result of a published notice or otherwise, shall be evaluated as a part of the contract procurement process.
- (5) From the available statements of qualifications and performance data, the city shall select three (3) qualified firms for consideration with reference to the anticipated issuance of a contract for services. From the three (3) qualified firms, there shall be selected the firm considered the best qualified and capable of performing the desired work. Both in the selection of the three (3) qualified firms and in the selection of the firm considered the best qualified and capable, consideration shall be given to the following factors:
  - a. The specialized experience and technical competence of the firm with respect to the type of professional services required.
  - b. The capacity and capability of the firm to perform the work in question, including specialized services, within the time limitations fixed for the completion of the project.
  - c. The past record of performance of the firm with respect to such factors as control of costs, quality of work and ability to meet schedules and deadlines.
  - d. The firm's proximity to and familiarity with the area in which the project is located.
- (6) After the selection of the firm most qualified and capable of performing the desired work, the city administrator shall, jointly with the selected firm, prepare a detailed, written description of the scope of proposed services. Such written description shall be used as the basis for the negotiation of the contract for services. The city administrator shall then enter into negotiations with the selected firm. If the administrator is unable to negotiate a satisfactory contract with such firm, the unsuccessful negotiations shall be terminated and negotiations shall commence with another of the selected qualified firms. If negotiations are again unsuccessful, negotiations shall be conducted with the third qualified firm. If the administrator is unable to negotiate a contract with any of the selected firms, the city administrator shall reevaluate the necessary professional services, including the scope and reasonable fee requirements anticipated by the contract, and, after completing that process, proceed in accordance with the provisions of this division.
- (7) If at the time of commencement of procurement of a professional services contract there is available from all sources less than three (3) statements of qualifications and performance data, the procedures outlined above shall take place with reference to the then available statements of qualifications and performance data.

(Code 1976, § 2-141; Ord. No. 65-89, §§ 1, 2, 8-1-89; Ord. No. 89-90, § 3, 12-18-90; Ord. No. 59-97, §§ 1—3, 10-21-97; Ord. No. 64-98, §§ 1—3, 9-1-98; Ord. No. 36-01, §§ 2—4, 6-19-01; Ord. No. 65-04, §§ 1, 2, 10-19-04; Ord. No. 92-05, 12-6-05; Ord. No. 97-05, 12-20-05; Ord. No. 71-06, 8-1-06; Ord. No. 93-12, § 2, 12-4-12; Ord. No. 4-13, 1-15-13)

**State law reference**— Board to establish maximum amount for which administrator may contract without bids, A.C.A. § 14-48-117(5)(A)(i).

Sec. 2-183. - Competitive bidding—When required.

- (a) Where the amount of any expenditure for a purchase for supplies, materials or equipment for the various offices, departments and agencies of the city government is seventy-five thousand dollars (\$75,000.00) or more, or for any contract for services to be rendered to the city is seventy-five thousand dollars (\$75,000.00) or more, the city administrator or designated representative shall invite competitive bidding thereon by legal advertisement published one (1) time in a daily local newspaper. Bids received pursuant to such advertisement shall be opened not less than fifteen (15) days including the date of invitation to bid. The bidding procedure as set forth in this and other provisions of the city shall not be exclusive of other state-mandated bidding procedures.
- (b) In the event of an emergency, the city administrator may invite competitive bidding to be opened not less than five (5) days following the date of invitation to bid.
- (c) Where the amount of any expenditure for the construction of municipal improvements is twenty thousand dollars (\$20,000.00) or more, the city administrator or designated representative shall invite competitive bidding thereon by legal advertisement published one (1) time in a daily local newspaper. Bids received pursuant to such advertisement shall be opened not less than fifteen (15) days including the date of invitation to bid. The bidding procedure as set forth in this and other provisions of the city shall not be exclusive of other state-mandated bidding procedures.
- (d) Thereupon, the city administrator or designated representative shall transmit to the board of directors a tabulation of all bids received thereon and the board of directors, with the recommendation of the city administrator, by resolution duly passed, shall authorize the purchase or contract to the best responsible and responsive bidder; provided, however, the directors may reject any and all bids.

(Code 1976, § 2-142; Ord. No. 59-97, § 4, 10-21-97; Ord. No. 36-01, § 5, 6-19-01; Ord. No. 93-12, § 3, 12-4-12)

**State law reference**— Competitive bidding required, A.C.A. § 14-48-129.

Sec. 2-184. - Same—Waiver of formalities.

The advertisement for bid may state that the board of directors may waive any formalities in regard to the bidding other than the requirement of bond, when the same is required.

(Code 1976, § 2-143)

Sec. 2-185. - Same—Waiver.

The board of directors, by ordinance, may waive the requirement of competitive bidding in exceptional situations where such procedure is not feasible, but such exceptional situation being lacking, the board of directors may not except any particular bid from the requirement of competitive bidding.

(Code 1976, § 2-144)

**State law reference**— Waiver of competitive bidding, A.C.A. § 14-48-129(b).

Sec. 2-186. - Exception.

The provisions of this division dealing with the procurement of contracts for professional services shall not be applicable to professional employees of the city.

(Ord. No. 65-89, § 3, 8-1-89)

## Purchasing Structures of Various Procurement Agencies in Arkansas

	<u>Centralized</u>	<u>Decentralized</u>	<u>Coordinated</u>
ADEQ			X
AETN			X
AR Building Authority	X		
AR Department of Labor	X		
AR School for Mathematics, Science & the Arts	X		
AR State University	X		
Arkansas Career Training Institute		X	
City of Fayetteville			X
City of Hot Springs			X
City of Little Rock	X		
AR Department of Finance & Administration			X
Little Rock Metroplan	X		
Little Rock School District	X		
Little Rock Waste Water			X
Pulaski County School Dist.	X		
Pulaski County School Dist.	X		
Saline County			X
UA Community College of Batesville			X
UAMS	X		
University of Central AR	X		
University of AR	X		