<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00 a.m. – 9:05 a.m.</td>
<td>Welcome</td>
<td>Mayor Harold Perrin, League President City of Jonesboro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Whitnee V. Bullerwell, Deputy Director Arkansas Municipal League</td>
</tr>
<tr>
<td>9:05 a.m. – 9:30 a.m.</td>
<td>Opening Remarks</td>
<td>Mark R. Hayes, Executive Director Arkansas Municipal League</td>
</tr>
<tr>
<td>9:30 a.m. – 10:30 a.m.</td>
<td>Financial Policies: Best Practices</td>
<td>Tim Jones, CPA, CFF Division of Legislative Audit</td>
</tr>
<tr>
<td>10:30 a.m. – 10:45 a.m.</td>
<td>Break/Networking</td>
<td></td>
</tr>
<tr>
<td>10:45 a.m. – 11:45 a.m.</td>
<td>Budgeting for the Better:</td>
<td>Karen Scott, Chief Finance Officer Benton Utilities</td>
</tr>
<tr>
<td></td>
<td>Building a Better Document and a Better Process</td>
<td></td>
</tr>
<tr>
<td>11:45 a.m. – 12:15 p.m.</td>
<td>Recent Legislative Audit Findings Q&amp;A</td>
<td>Marti Steel, CPA Deputy Legislative Auditor Division of Legislative Audit</td>
</tr>
<tr>
<td>12:15 p.m. – 12:45 p.m.</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>12:45 p.m. – 1:45 p.m.</td>
<td>Capital Planning and Infrastructure</td>
<td>Michele Allgood, Partner John Bryant, Member Mitchell Williams Law Firm</td>
</tr>
<tr>
<td>1:45 p.m. – 2:30 p.m.</td>
<td>Investment Strategies for Your City</td>
<td>Bo Brister, Vice President Stephens, Inc.</td>
</tr>
<tr>
<td>2:30 p.m. – 3:00 p.m.</td>
<td>Importance of Business Continuity and Secure Information Systems</td>
<td>David Coles, CPA, CISA, CFF Division of Legislative Audit Jeff Melton, Network Administrator Arkansas Municipal League</td>
</tr>
<tr>
<td>3:00 p.m. – 3:30 p.m.</td>
<td>Assessing Risks Related to Cyber Crimes</td>
<td>Mandy Stanton, Member Mitchell Williams Law Firm</td>
</tr>
<tr>
<td>3:30 p.m.</td>
<td>Concluding Remarks</td>
<td>Mark R. Hayes, Executive Director Arkansas Municipal League</td>
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</table>
Budgeting for the Better: Building a Better Document and a Better Process

Arkansas Municipal Finance 201 Workshop
January 15, 2020
Budget Document

- Use same format as audited financial statements
  - Should match your monthly financial reports
    - Monthly financial reports should show monthly and year-to-date amounts plus annual budget amounts, percentage of budget spent/available
  - Revenue & expenses - categories specific enough to be self-explanatory
  - Transparency - make calculations and theory available when requested
  - Process should be inclusive - future budget needs, impacts of future changes, etc. - department heads, chamber of commerce, economic development agencies
Major Revenue Categories

Sales tax
- Trend data available
- DF&A Website: https://www.ark.org/dfa/localtaxes/index.php
- DF&A Revenue Forecasts & Monthly Reports
- Quantify better/worse economy
- Impact of Internet Sales Tax

Property tax - General Fund and Street Fund
- Communication with County Assessor & Collector

State Turnback - General Fund and Street Fund
- 2020 Census
Revenues (cont.)

- Court Fines & Fees (must be accounted for separate - very specific laws in place to dictate revenue streams)
- Franchise Fees (possibility of audits)
- User Fees
  - Business Licenses
  - Building Permits
  - Alcohol Taxes/Permits
Fiscal Impact Analyses

- Are Revenues Covering Program Costs - Revenues vs. Facilities/Personnel/Operating Expenses
  - Animal Control - adoption fees, licensing fees
  - Parks - registration fees, rentals, tournaments
  - Sanitation - residential & commercial fees, recycling
  - Library - technology fees, book rental, facility rental, other revenue (millage)
Revenues (cont.)

- New Revenue to be Explored
  - Rental Income
  - Code Enforcement
  - Business Licenses
  - Police Expense Refunds (reimbursements for overtime, school resource officers)
  - Excessive Burglar Alarms
  - Fire Alarms
  - Auction of City Property (must be approved by Council/Board)

- FEMA Funds
  - Organized Coordination of Efforts - administrative, fiscal, public safety, public works
  - Diligence
Grants

- Advantages
  - Without grant funding, many projects/purchases do not happen
    - Streets - AHTD
    - Personnel - US Dept. of Justice, FEMA

- Disadvantages
  - Many times match is required
  - Many personnel grants do not allow eliminating those positions after grant funding has expired
Budget Management - Expenditures

- **Fixed Costs**
  - Debt Service (low interest rates attractive - Amendment 78)

- **Legal Obligations**
  - Memorandums of Understanding with Other Agencies (jails, health departments, district judges, 911/Emergency Services)

- **Personnel**
  - Collective Bargaining Units/Agreements
  - Eliminate Positions Through Attrition
  - Outsourcing
  - Shift Duties
  - Review Current Staffing/Work Load
Expenditures (cont.)

- Capital Expenses
  - Construction Projects
  - Vehicles
  - Analyze Cost to Replace vs. Cost to Maintain (mileage, age of fleet, replacement parts)
  - Lease vs. Purchase
Cost Benefit Analyses

- Operational Expenses - providing basic services to citizens or going above and beyond?
  - Code Enforcement-Demolition
  - Senior Adult Center/Services
  - Services Provided by Non-Profit, Community Organizations (Boys & Girls Club, etc.)
  - Cooperative Agreements for Funding, Administrative, Programming Activities (partnerships with other cities, county)
Future Planning

- Budget More Conservatively
  - Do not budget revenues that are not realistic
  - Transparency - better headlines when revenues and expenditures are within budget, rather than outside of budget
Utilities Budgeting

- Use historical data to make revenue projections - weather trends
- Anticipate changes - residential and/or commercial growth or reduction
- Staffing requirements
- Routine maintenance requirements
- Environmental regulations - ADEQ, etc.
- Personnel costs - retirement plans, health insurance, other employer-paid benefits, employee leave policies
Routine Maintenance vs. Capital Projects

- Prepare 5- and 10-year plans outlining routine maintenance and large capital projects
- Vehicle & equipment lists - age of assets - maintenance costs vs. replacement
- Identify funding sources - regular rates, rate increases, bond issues
- Normally requires some assistance from engineers
- Examples: faulty meter replacements vs. new, modern meters; sewer line repairs vs. pipe bursting; utilizing current plant vs. upgrade or replacement of plant
Debt Service

- Always budget payments for existing debt service requirements first
- Should additional funds be needed for projects - issue additional debt?
- Restructure/refund existing debt
- Use professionals to assist with calculations and process - underwriters and bond counsel
- Rating agencies
- Normal bond issue vs. private placement
- Tax exempt status
- Requirements of most bond issues - debt service reserve accounts, depreciation funds, annual debt service coverage
Rate Analysis

- Rate studies analyze and identify whether or not rates are sufficient and properly structured.
- Customer charge vs. consumption.
- Are some customers subsidizing others?
- Separate meters for sprinkler, swimming pools.
- Can assist when rate changes are needed - public relations and communication with customers and city council/board.
Questions??

- Karen Scott
- kscott@bentonar.org
- 501-776-8074
Arkansas Legislative Audit

Provides Audits/Reports:

- State Agencies
- Public Educational Institutions
- Cities, Counties (75), and PAs
- Special Reports
Legislative Joint Auditing Committee

- 44 Legislators
- 3 Standing Committees
  - State Agencies
  - Educational Institutions
  - Counties and Cities
Legislative Joint Auditing Committee (cont.)

Meets

- 2nd Friday (Full)
- Preceding Thursday (Standing)
- January – Thurs & Fri (23-24)
➢ 500 Municipalities
➢ 460 use ALA (2018 engagements)
➢ 40 hire private CPAs
Municipal Audit Work Not Performed by ALA

➢ Water and Sewer

➢ Federal Compliance
Fixed Assets Policies

➢ Policy defining fixed assets

➢ At a minimum

➢ Dollar amount

➢ Useful life

ACA § 14-59-107
Travel Policies

- Mileage
- Hotels and Meals
- Distance from home
- Who and Why
  - IRS guidelines/limits
  - Original documentation
Leave Policies

➢ Holiday compensation
➢ Annual vacation
➢ Uniform sick leave
➢ Compensatory time
Leave (Regulated by State Law)

Holiday Compensation

➢ Police (ACA § 14-52-105)
➢ Firemen (ACA § 14-53-106)

“...shall be compensated for....holidays established by the governing body....”
Leave (Regulated by State Law)

Annual Vacation

- Police (ACA § 14-52-106)
- Firemen (ACA § 14-53-107)

“...shall be granted an annual vacation of not less than 15 days....”
Leave (Regulated by State Law)

Uniform Sick Leave

- Police (ACA § 14-52-107)
  - 20 days/year after 1 year
  - Max of 60 days (90 if ordinance)

- Firemen (ACA § 14-53-108)
  - 10-20 working days/year after 1 year
  - Defines “working day”
  - Max of 1,440 hours (2,160 if ordinance)
Leave (Continued)

Compensatory Time

- According to City Policy
  - Police
  - Firemen
  - Nonuniform
Leave Payouts

➢ Pay according to Law/Policy
  ➢ Errors common in payouts
  ➢ Overpayments reported to PA

➢ Review Leave Policies for Clarity
Leave Payouts

➢ Beware of Possible Strain on Cash Reserves Due to Multiple Large Payouts in a Short Time Frame
  ➢ Multiple Retirements
  ➢ Turnover Due to Change in Officials
Leave (Beyond the Money)

• Require Employees to take Vacation

• Employee Refusing Vacation is a Red Flag

• Absences Allow for Fraud Detection
Banking and Check Policies

- Limited number of bank accounts
- Prenumbered checks (ACA 14-59-105)
- No pre-signed checks
- Retain all voided checks
- Avoid using signature stamps
- Consider using positive pay
Banking and Check Policies

- R/T should be prohibited from authorizing disbursements
- Mayor or Mayor’s representative should compare invoice to check before signing check
- Signed checks should be mailed by someone other than R/T (check preparer)
Banking and Check Policies

• Unopened bank statements should be routed directly to Mayor (or Mayor’s representative) for review.

• Mayor (or Mayor’s representative) should review bank reconciliations prepared by Treasurer (ACA 14-59-108)

• Monthly financial statements/report should be reviewed by the Council (ACA 14-59-115)
Credit Card Policies

- Limited number of Credit Cards
- Strict policies
  - Check out/in procedures
  - Limit types and amounts of expenditures
  - Support and approval
Credit Card Policies (Continued)

- Monthly Statements Routed/Mailed Directly to the Mayor (or an Appropriate Individual or Group) for Review

- Let this Practice be Known
Financial Distress

- Payroll Taxes Owed to IRS/DFA
- Misuse of Restricted Funds
  - Street turnback & property taxes
    - ACA §§ 26-79-104, 27-70-207
  - Restricted sales/property taxes
- Unpaid Workers’ Comp Coverage
Financial Distress

- Water/Sewer Drain
  - Large transfers from General Fund
- Declining turnback (population)
- Overspending (Budget overruns)
- Large Accounts Payables
Water/Sewer Department Trends

- Water/Sewer Drain
  - Large transfers from General Fund
- Sales of City Water/Sewer Depts
- Service Concession Agreement
Water/Sewer Department Trends

- Water/Sewer Audits not Completed
- Aging Infrastructure
- Attention/Interest by Legislature
Senate Bill 481 of 2019

- Didn’t pass
- More state accountability
  - Fiscal/Operational
- Rate study every 5 years
- Consolidation
City Retirements

- Errors in Calculations of Retirements of City Officials
  - City Clerks (ACA § 24-12-121)
  - Mayors (ACA §§ 24-12-123, -124)
  - Treasurers (ACA §§ 24-12-125, -127)
ACA § 14-59-117

Withholding TB for noncompliance w/MAL

➢ ALA or Private Acct notifies LJAC

➢ LJAC notifies City

➢ 60 days, 50% TB withheld

➢ 120 days, 100% TB withheld

➢ 6 months, TB redistributed

➢ No TB until in compliance
Noncompliance catching the Attention of ALA

- Noncompliance with codes that affect the ability of the Council to make informed decisions
  - Financial records
  - Financial statements
  - Financial reports
If Something Seems Odd…..

- Diligently Check it Out

Do answers seem reasonable?
Do answers conflict your knowledge?
If Something is New or Creative...

- Check with Legal Counsel
Resources

- Legislative Audit website (www.arklegaudit.gov)
  - “Resources” tab
  - “Our Reports” (Audit reports)

- Municipal League website (www.arml.org)
  - Handbook for Arkansas Municipal Officials ($100)
  - Mun Acctg Handbook (Free)

- State website (www.arkansas.gov)
Questions

- tim.jones@arklegaudit.gov
- 501-683-8600
CAPITAL PLANNING AND INFRASTRUCTURE
Financing with Municipal Bonds

Arkansas Municipal League
2020 Municipal Finance 201 Workshop
Presenters:

Michele Allgood
(501) 688-8874
mallgood@mwlaw.com

John Bryant
(501) 688-8823
jbryant@mwlaw.com
CAPITAL PLANNING AND INFRASTRUCTURE

Financing with Municipal Bonds (the game!)
Approval by Issuer
Identify Projects

Approval by Issuer
START

Identify Projects

Talk to Professionals

Approval of Financing

TEFRA

APPROVAL

Initial Decision

Talk to Professionals

Approval of Financing

TEFRA

APPROVAL

Initial Decision

Identify Projects

START
START

Talk to Professionals

Identify Projects

Preparation for Issuance

Approval of Financing

TEFRA

APPROVAL

Initial Decision

Preparing for Issuance

Approval by Issuer

Approval of Financing

TEFRA

APPROVAL

Initial Decision
START

Talk to Professionals

Identify Projects

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Approval by Issuer

Approval of Financing

TEFRA

Initial Decision
Talk to Professionals

Identify Projects

Approval by Issuer

Initial Decision

Marketing the Bonds

Preparing for Issuance

Approval of Financing

TEFRA

START
Identify Projects
Preparation for Issuance
Approval by Issuer
Approval of Financing
TEFRA
Initial Decision
Marketing the Bonds
Talk to Professionals

START
START

Identify Projects

Talk to Professionals

Approval by Issuer

Initial Decision

Approval of Financing

TEFRA

Preparing for Closing

Preparing for Issuance

Marketing the Bonds
1. Identify Projects
2. Talks to Professionals
3. Preparing for Issuance
4. Marketing the Bonds
5. Preparing for Closing
6. Approval by Issuer
7. Approval of Financing
8. TEFRA
9. Initial Decision
10. Post Closing Issues
11. Closing
12. Issues
13. Final Decision
14. Start
START

Identify Projects

Preparring for Issuance

Marketing the Bonds

Post-Issuance Compliance

Approval by Issuer

Approval of Financing

TEFRA APPROVAL

Preparing for Closing

Closing

Initial Decision

Post-Closing Issues

Compliance

Talk to Professionals

Preparring for Issuance

Post-Issuance Compliance

Marketing the Bonds

Approval by Issuer

Approval of Financing

TEFRA APPROVAL

Preparing for Closing

Closing

Initial Decision

Post-Closing Issues

Compliance

Talk to Professionals
START
Identify Projects
Talk to Professionals
Preparing for Issuance
Marketing the Bonds
TEFRA
Approval of Financing
Preparation for Closing
Closing
Initial Decision
Post-Issuance Compliance
Post-Closing Issues
START
• Odds & Ends
• Questions?
Bo Brister  
**Vice President**

Mr. Brister graduated in 2000 from the University of Mississippi with a B.B.A in Managerial Finance. He began his career in the financial services industry in 2000 and joined Stephens Capital Management, an operating division of Stephens Inc., in 2006. Currently Mr. Brister advises and allocates capital on behalf of pension plans, foundations/endowments, municipalities, corporations and family office structures. Along with managing client portfolios, Mr. Brister serves as a direct interface to investment managers, participates in the sourcing and diligence of investment opportunities as well as an Investment Committee member for StephensChoice and Stephens Fixed Income Strategy. Prior to joining Stephens Inc., Mr. Brister was a trader within Fixed Income Capital Markets for Morgan Keegan & Co in Memphis, TN where he was responsible for trading various products over his tenure including U.S. governments/agencies, preferreds, commercial paper and corporate debt securities. Mr. Brister is a FINRA Registered Representative (Series 7 & 63), a Limited Representative-Equity Trader (Series 55), and a Registered Investment Advisor Representative (“Series 65”).
Investment Strategies For Your City

**General Funds**
- Cash Management Accounts
- Special Purpose Funds
- Bond Proceeds

**Defined Benefit Plans**
- Closed Pension Plans - Both Uniform and Non-Uniform
- LOPFI & APERS

**Deferred Compensation Plans**
- Independent 457 Plans
- Arkansas Diamond Plan

**Other Post Employment Benefits (OPEB)**
- Annual Required Contribution Funds
Investment Parameters

Be sure to know your Investment Parameters set forth by the Arkansas Legislature (Title 19)

Tight Investment Policy for General Funds and Bond Proceeds

Utility Companies (Water & Electric) and Municipalities with real property assessed valuation in excess of $300mm have broader parameters

Municipalities joined in Investment Trust such as AML PMT have broader parameters

General Rule is that most funds are limited to Certificates of Deposit, U.S. Treasury’s and money market instruments.
Investment Strategy Considerations

1) **Asset Allocation**
   How you allocate funds into different asset classes (Mix of stocks, bonds, cash)

2) **Diversification**
   Spreading the risk among various styles and sectors (Large, Small, Growth, Value, Income, Credit)

3) **Keep Expenses Low**
   (Fees from advisors, managers, banks, insurance)

4) **Invest for the Long-term**
   (Build an allocation for market cycles)
Fixed Income- Bonds

Fixed income is an investment approach focused on preservation of capital and income. It typically includes investments like government and corporate bonds, CDs and money market funds. Fixed income can offer a steady stream of income with less risk than stocks.

1. Diversification from stock market risk
Fixed income is broadly understood to carry lower risk than stocks. This is because fixed income assets are generally less sensitive to macroeconomic risks, such as economic downturns and geopolitical events.

2. Capital preservation
Capital preservation means protecting the absolute value of your investment via assets that have a stated objective of return of principal. Investors who are closer to retirement may rely on their investments to provide income.

3. Income generation
Fixed income investments can help you generate a steady source of income. Investors receive a fixed amount of income at regular intervals in the form of coupon payments on their bond holdings.

4. Total return
Some fixed income assets offer the potential to generate attractive returns. Investors can seek higher returns by assuming more credit risk or interest rate risk.
Interest Rates And Inflation

Nominal and real 10-year Treasury yields


Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for December 2019, where real yields are calculated by subtracting out November 2019 year-over-year core inflation.

Cash Investments - Fixed Income

Income earned on $100,000 in a savings account vs. a cash investment account*

*Income generated in a savings account
*Income generated in a cash investment account
*Income needed to beat inflation

Source: Bankrate.com, FactSet, Federal Reserve System, J.P. Morgan Asset Management,
Prior to 2010, money market yield is based on taxable money market funds return data from the Federal Reserve. Investment account return is based on the average yield-to-worst on a 3-month U.S. Treasury over the calendar year. Annual income is for illustrative purposes and is calculated based on the 6-month Treasury yield and money market yield on average during each year and $100,000 invested. Past performance is not indicative of comparable future results.


Source: JPMorgan
US Treasury Yield Curve as of 12/31/19

Source: JPMorgan
The Fed and Interest Rates

**Federal funds rate expectations**
FOMC and market expectations for the federal funds rate

**FOMC December 2019 forecasts**

| Metric                        | 2019 | 2020 | 2021 | 2022 | Long run
<table>
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</thead>
<tbody>
<tr>
<td>Change in real GDP, 4Q to 4Q</td>
<td>2.2</td>
<td>2.0</td>
<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Unemployment rate, 4Q</td>
<td>3.6</td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
<td>4.1</td>
</tr>
<tr>
<td>PCE inflation, 4Q to 4Q</td>
<td>1.5</td>
<td>1.9</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Market expectations are the federal funds rates priced into the fed futures market as of the following date of the December 2019 FOMC meeting and are through December 2022. "Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Guide to the Markets – U.S. Data are as of December 31, 2019.

Source: JPMorgan
## Fixed Income Asset Diversification - as of December 31, 2019

<table>
<thead>
<tr>
<th>Year</th>
<th>High Yield</th>
<th>Municipal</th>
<th>EMD (Local Currency)</th>
<th>EMD (Hard Currency)</th>
<th>Investment Grade</th>
<th>MBS</th>
<th>Global Agg Ex-U.S.</th>
<th>Bank Loan</th>
<th>EMD (Hard Currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>57.51</td>
<td>15.69</td>
<td>10.70</td>
<td>18.84</td>
<td>9.65</td>
<td>3.30</td>
<td>14.54</td>
<td></td>
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<tr>
<td>2010</td>
<td>51.62</td>
<td>15.19</td>
<td>9.61</td>
<td>16.76</td>
<td>5.20</td>
<td>1.51</td>
<td>10.19</td>
<td></td>
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<tr>
<td>2011</td>
<td>13.08</td>
<td>8.46</td>
<td>15.56</td>
<td>-0.60</td>
<td>6.08</td>
<td>1.30</td>
<td>9.32</td>
<td></td>
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<tr>
<td>2012</td>
<td>12.04</td>
<td>8.15</td>
<td>15.02</td>
<td>-1.41</td>
<td>5.63</td>
<td>1.23</td>
<td>7.96</td>
<td></td>
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<tr>
<td>2013</td>
<td>21.98</td>
<td>4.38</td>
<td>15.06</td>
<td>-1.53</td>
<td>5.05</td>
<td>0.84</td>
<td>9.65</td>
<td></td>
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<tr>
<td>2014</td>
<td>18.68</td>
<td>9.00</td>
<td>4.83</td>
<td>-2.75</td>
<td>2.50</td>
<td>0.95</td>
<td>6.11</td>
<td></td>
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<tr>
<td>2015</td>
<td>12.91</td>
<td>5.87</td>
<td>6.78</td>
<td>-2.75</td>
<td>1.60</td>
<td>0.69</td>
<td>6.42</td>
<td></td>
<td></td>
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<tr>
<td>2016</td>
<td>5.37</td>
<td>2.31</td>
<td>4.09</td>
<td>-3.08</td>
<td>1.60</td>
<td>4.12</td>
<td>6.66</td>
<td></td>
<td></td>
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<tr>
<td>2017</td>
<td>5.89</td>
<td>1.52</td>
<td>2.59</td>
<td>-6.58</td>
<td>1.04</td>
<td>2.47</td>
<td>6.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>3.57</td>
<td>2.36</td>
<td>1.75</td>
<td>-8.98</td>
<td>0.25</td>
<td>2.31</td>
<td>5.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2.36</td>
<td>1.99</td>
<td>1.99</td>
<td>-5.72</td>
<td>1.99</td>
<td>1.99</td>
<td>5.69</td>
<td></td>
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Equity- Stocks

Equity investors purchase shares of a company with the expectation that they'll rise in value in the form of capital gains, and/or generate capital dividends. If an equity investment rises in value, the investor would receive the monetary difference if they sold their shares. Equities can strengthen a portfolio’s asset allocation by adding diversification.

What are the potential benefits of equity investments?

• The main benefit from an equity investment is the possibility to increase the value of the principal amount invested. This comes in the form of capital gains and dividends.

• An equity fund offers investors a diversified investment option typically for a minimum initial investment amount.
Equity Capitalization and Style

Capitalization Weighting

- **Large Cap**
  Market cap above $10 Billion

- **Mid Cap**
  Market Cap that is between $2 Billion and $10 Billion

- **Small Cap**
  Market Cap that is less than $2 Billion

2019

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Blend</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>26.5%</td>
<td>31.5%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Mid</td>
<td>27.1%</td>
<td>30.5%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Small</td>
<td>22.4%</td>
<td>25.5%</td>
<td>28.5%</td>
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</tbody>
</table>

Style

**Growth stocks:**
More "expensive"—Their stock prices are high relative to their sales or profits. This is due to expectations from investors of higher sales or profits in the future, so expect high price-to-sales and price-to-earnings ratios. Riskier—They're expensive now because investors expect big things. If growth plans don't materialize, the price could plummet. Tend to reinvest profits back into the company.

**Value stocks:**
Less "expensive"—Their stock prices are low relative to their sales or profits. Less risky—They have already proven an ability to generate profits based on a proven business model. Stock price appreciation isn't guaranteed. Usually pay investors dividends.

Source: Fidelity, JPM
## Equity Asset Class Diversification - as of December 31, 2019

<table>
<thead>
<tr>
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<tr>
<td>2009</td>
<td>78.51</td>
<td>26.85</td>
<td>2.64</td>
<td>18.22</td>
<td>38.82</td>
<td>13.69</td>
<td>5.67</td>
<td>21.31</td>
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<tr>
<td>2010</td>
<td>60.82</td>
<td>Mid-Cap</td>
<td>S&amp;P 500</td>
<td>1.14</td>
<td>Mid-Cap</td>
<td>34.76</td>
<td>13.46</td>
<td>17.34</td>
<td>International Small-Cap</td>
<td>31.04</td>
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<td>2011</td>
<td>Mid-Cap</td>
<td>International Small-Cap</td>
<td>0.39</td>
<td>International Small-Cap</td>
<td>17.46</td>
<td>Mid-Cap</td>
<td>13.22</td>
<td>S&amp;P 500</td>
<td>1.38</td>
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<tr>
<td>2012</td>
<td>Growth</td>
<td>Emerging Markets</td>
<td>18.88</td>
<td>Mid-Cap</td>
<td>-1.55</td>
<td>International</td>
<td>Value</td>
<td>Value</td>
<td>3.53</td>
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<tr>
<td>2013</td>
<td>Growth</td>
<td>Emerging Markets</td>
<td>17.32</td>
<td>Value</td>
<td>3.53</td>
<td>International</td>
<td>Value</td>
<td>International</td>
<td>Global</td>
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<tr>
<td>2017</td>
<td>International Small-Cap</td>
<td>Global</td>
<td>Small-Cap</td>
<td>25.55</td>
<td>Global</td>
<td>4.16</td>
<td>Mid-Cap</td>
<td>-2.44</td>
<td></td>
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</table>

S&P 500 Sectors

Source: FactSet as of 9/30/19. Data provided is for informational use only. See end of report for important additional information.
International Markets Defined

<table>
<thead>
<tr>
<th>MSCI ACWI INDEX</th>
<th>MSCI EMERGING MARKETS INDEX</th>
<th>MSCI FRONTIER MARKETS INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEVELOPED MARKETS</td>
<td>EMERGING MARKETS</td>
<td>FRONTIER MARKETS</td>
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<tr>
<td>Americas</td>
<td>Europe &amp; Middle East</td>
<td>Pacific</td>
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<td>Canada</td>
<td>Austria</td>
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<td>United States</td>
<td>Belgium</td>
<td>Hong Kong</td>
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<td></td>
<td>Denmark</td>
<td>Japan</td>
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<td></td>
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<td>Saudi Arabia</td>
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<td></td>
<td>Spain</td>
<td>South Africa</td>
</tr>
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<td>Sweden</td>
<td>Turkey</td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>United Arab Emirates</td>
</tr>
</tbody>
</table>

| MSCI STANDALONE MARKET INDEXES |
| Americas | Europe & CIS | Africa | Middle East |
| Jamaica | Bosnia Herzegovina | Botswana |
| Panama | Bulgaria | Zimbabwe |
| Trinidad & Tobago | Malta | Ukraine |

1 The MSCI Standalone Market Indexes are not included in the MSCI Emerging Markets Index or MSCI Frontier Markets Index. However, these indexes use either the Emerging Markets or the Frontier Markets methodological criteria concerning size and liquidity.

2 The West African Economic and Monetary Union (WAEMU) consists of the following countries: Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo. Currently the MSCI WAEMU Indexes include securities classified in Senegal, Ivory Coast and Burkina Faso.
Diversification- Risk and Return Over Market Cycles 1926-2018

Data source: Morningstar Inc., 2019 (1926–2018). Past performance is no guarantee of future results. Returns include the reinvestment of dividends and other earnings. This chart is for illustrative purposes only and does not represent actual or implied performance of any investment option. See footnote 2 below for detailed information.

The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet a participant’s goals. You should choose your own investments based on your particular objectives and situation. Remember, you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals.
A well-diversified portfolio is designed to help you achieve your long-term goals as well as limit your portfolio’s downs (and ups). But it doesn’t always feel good. You may get upset when you inevitably lose money during certain periods (though your loss is likely less than that of the S&P 500 Index). You may also be disappointed during up markets when you see how well the S&P 500 Index performed, and you didn’t do as well. The good news: a diversified portfolio may produce a better outcome for you in the long-term.

<table>
<thead>
<tr>
<th>Years</th>
<th>S&amp;P 500 Index</th>
<th>Diversified portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2002</td>
<td>-37.6%</td>
<td>-16.3%</td>
</tr>
<tr>
<td>2003-2007</td>
<td>+82.9%</td>
<td>+73.8%</td>
</tr>
<tr>
<td>2008</td>
<td>-37.0%</td>
<td>-24.0%</td>
</tr>
<tr>
<td>2009-2017</td>
<td>+258.8%</td>
<td>+152.2%</td>
</tr>
<tr>
<td>2018</td>
<td>-4.4%</td>
<td>-4.6%</td>
</tr>
</tbody>
</table>

**Total Return**
- S&P 500: +146.6%
- Diversified: +166.1%

**Growth of $100,000**
- S&P 500: $246,570
- Diversified: $266,060

*“I lost money”*

*“I didn’t make as much”*

*“I lost money”*

*“I didn’t make as much”*

*“I lost MORE money”*

*“Diversification wins even when it feels like it’s losing”*

Source: Morningstar as of 12/31/18. Past performance does not guarantee or indicate future results. Diversified Portfolio is represented by 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays U.S. Aggregate Bond Index, and 10% Bloomberg Barclays U.S. Corporate High Yield Index. Index performance is for illustrative purposes only. You cannot invest directly in the index. Diversification does not guarantee a profit or protect against a loss in a declining market.

Source: BlackRock
Diversification and the Average Investor

Portfolio returns: Equities vs. equity and fixed income blend

20-year annualized returns by asset class (1998 – 2018)

Source: J.P. Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor’s; (Bottom) Dalbar Inc.
Indices used are as follows: REITs: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz., Inflation: CPI, 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/18 to match Dalbar’s most recent analysis.


Source: JPMorgan
The Power of Negative Returns

Source: BlackRock

[Diagram showing the impact of negative returns on investment loss]

Return needed to breakeven • Investment loss
Source: BlackRock. For illustrative purposes only.
S&P 500 Composition Performance Can Vary Wildly

Tale of Two Retailers in 2019

Approx. (44%)  
Approx. +95%

+31.49%
Sample of a Diversified Portfolio

The portfolio represents a sample of a diversified allocation. A recommended allocation is derived following client consultation with percentages and exposures adjusted accordingly.

Client Consultation

Develop and Draft Investment Policy

Asset Allocation Analysis

Portfolio Construction

Active Monitoring and Reporting

Core Equity 45.00%

Satellites / Alternatives 10.00%

Core Fixed Income 15.00%

MLPs 4.00%

Multi-Manager Hedge Fund Replication 4.00%

REITs 2.00%

Opportunistic 8.00%

Floating Rate 4.00%

Preferreds 3.00%

Low Duration 5.00%

Investment Grade Credit 8.00%

Multi-Asset Total Return 15.00%

Cash 2.00%

Emerging Markets Equity 4.00%

Small Cap Growth 7.00%

Small Cap Value 3.00%

Mid Cap Growth 6.00%

Mid Cap Value 9.00%

Developed International Equity 4.00%
Diversification
Asset Allocation
Keep Expenses Low
Invest for The Long-Term

Performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. You may obtain the most current month-end performance data from your Financial Consultant by calling 800-643-9691.

Investing in money market funds involves some element of risk, and you could lose money by investing in a money market fund. Although money market funds seek to preserve the value of your investment at $1.00 per share, this cannot be guaranteed. Investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market fund sponsors have no legal obligation to provide financial support to money market funds, and you should not expect that the sponsor will provide financial support to money market funds at any time.

Clients whose accounts are custodied at Stephens' clearing broker, Pershing, may be eligible to participate in the Stephens Insured Bank Sweep Program ("Bank Sweep Program"). Assets in this program are insured up to the applicable FDIC insurance limit. It is your obligation to monitor your funds deposited in Program Banks in the Bank Sweep Program to ensure you do not exceed the applicable FDIC insurance limit. The Bank Sweep Program should not be viewed as a long-term investment option.

Any prices reflected herein are indicative and are subject to change without notice. Prices, yields and availability will change with market movement. The yield may differ if bonds are sold before maturity. Bonds may be subject to other calls that may exist. Product credit ratings may change without notice. Unpriced securities are not included in the current value of the portfolio.

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The indexes and models referenced in the charts presented are unmanaged and do not Disclaimers reflect any transaction costs or management fees. They were chosen to give you a basis of comparison for market segment performance. Actual investment alternatives may invest in some instruments not eligible for inclusion in such an index or model and may be prohibited from investing in some instruments included in such an index or model. You cannot invest directly in an index. The investment return and principal value of an investment will fluctuate so that the value of an investment, when sold or redeemed, may be more or less than the original cost.

The blended return calculations for the benchmarks are determined by using the return performance data for the stated time period on each of the comparative index benchmarks as stated per asset class below, as reported by independent data services, and blending those returns for the index in the same percentages as are stated for the corresponding asset class and time period. Index performance information is provided for comparison only. Indexes are unmanaged, may assume reinvestment of all distributions and does not account for fees or any charges. It is not possible to invest directly into an index.

The hypothetical blended portfolio return calculations are based upon the proposed allocation of the portfolio to the recommended investments using total return performance data for the stated time periods as reported by independent data services. Your portfolio value will fluctuate such that you may receive more or less than your original investment should you choose to close your account. The gross performance quoted does not reflect the deduction of our advisory fees and other account expenses. Your investment return will be reduced by advisory fees and other account expenses.

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Pie Chart slices labeled as “Other” may include securities classified as “other” by the provider of asset classification data, as well as securities that did not fit in the other slices displayed.

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Additional information is available upon request.

Please contact your Financial Consultant with any questions.
Cybersecurity – 201
“Ransomware”

Jeff Melton
CISSP, CISA, CE|H, MCSE, MCT
Network Administrator

JMelton@arml.org
This is what happens in an internet minute in 2019:

- 3.8 Million Google searches
- 694,444 Hours of Netflix watched
- 1 Million Facebook logins
- 18.1 Million WhatsApp texts sent
- 4.5 Million YouTube videos viewed
- 390,030 Apps downloaded
- 347,222 Instagram posts viewed
- 87,500 People tweeting
- 41.6 Million messages sent
- 2.1 Million Snapchat snaps created
- 4.8 Million Girly served
- 180 Smart speakers shipped
- 41 Google music streaming subscriptions
- 1 Million Discord views
- 1 Million emails sent

Created by: @LoriLewis, @OfficiallyChadd

Just a few interesting stats from 2019!

• AV-TEST institute registers over 350,000 malware programs per day
• Average length of time a hacker is on your network before being detected is over 200 days
• Every 7 seconds a new malware program is released
• There is an attack every 39 seconds
• Most malware comes via email 92% of the time
• 38% of malware is being disguised as a Word document
Why is Information Security Important?

• Information security is important because the cyber threats are very real and the consequences of suffering a data breach or ransomware attack can be devastating, not only financially, but to your good reputation you enjoy with your citizens.

• Prevention beats remediation
Cost of Cyber Attacks

• Atlanta 2018 SamSam attack exploited weak password “brute-force” attack, $6 million in ransom payments and $30 million in losses.

• Baltimore Robinhood ransomware exploited a missing patch, $18 million dollar recovery price tag.
Cost of Cyber Attacks

• August 2019, ransomware attack hits 22 Texas towns, hackers demand $2.5 million.

• June 2019 Lake City, Florida, population 12,000 pays $460,000 ransom. Total cost of recovery process $700,000
According to a recent study of top IT security officers in 50 states, nearly half of states don’t have a separate cybersecurity budget and of those that do, more than a third have seen static or even reduced budgets over time. It’s clear that state and local government IT leaders often lack the funding to truly bolster their security posture.

https://www.govtech.com
In the bi-annual NASCIO/Deloitte cybersecurity survey, a lack of budget has been the No. 1 issue of state government CISOs every year since the survey began in 2010. According to the 2018 survey, the majority of states spend 1 to 2 percent of their IT budgets on cybersecurity, while a look at federal agencies saw cybersecurity receiving between 5 and 25 percent of overall IT spending. A 2017 Forrester report on U.S. private-sector cybersecurity budgets found a benchmark of 28 percent of overall IT spend.

https://www.nascio.org
Cyber Liability Insurance

Make sure you are in our **Property Program** so you’ll be covered under our cyber liability insurance. Even if you do everything right, you can still be the victim of a data breach or ransomware attack.

Even Google has been hacked, so what chance do we have, right? If the worst happens, your cyber liability folks are going to be your lifeline to mitigating the damage and to helping you make good decisions under stress.

**Up to $2,000,000 in Coverage**

- Legal Counsel
- Forensic Team
Plan, Prepare and Respond to Ransomware:

Lessons learned from Microsoft’s Detection and Response Team (DART)
Email Filtering Solution

66% of malware is installed via email attachments – Verizon DBIR 2017

71% of targeted attacks involved spear-phishing email – Symantec Threat Report 2018

Invest in enterprise-grade email protection and conduct regular phishing campaigns and security awareness training for end users.
Hardware and Software Patching

The average network is more than 2 months out of date on critical security patches.

Regular patch schedule for workstations, servers and network devices is critical.

Don’t forget to patch your applications!

Conduct annual vulnerability assessments.
Use up-to-date antivirus and endpoint protection

Traditional Antivirus is outdated and does not work against new next generation malware

You must use next generation technologies that take advantage of cloud based AI and machine learning

Zero day, Zero hour, Zero minute
Standard credentials for everyone

Ensure that administrators login as standard users and use separate administrative credentials to manage systems.

Ensure users are not local administrators on their workstations.

Implement Multi-Factor Authentication whenever possible.
Misconfiguration

Unnecessary Features / Services enabled on workstations and servers

Default Accounts and passwords are not disabled or changed

Improper File and Directory Permissions on file shares

Poorly configured network devices
Application Whitelisting

Critical to restrict applications that can run on workstations and servers.

Whitelisting allows only trusted and tested applications to run.

Everything is denied unless it has been whitelisted.

Tedious process, but has been proven to be effective.
Network Security Monitoring

IDS/IPS - Intrusion Detection/Prevention System

Enable Logging and Monitoring on all devices

SIEM - Security Information and Event Management

KNOW WHAT IS NORMAL TRAFFIC!!!
Backup Backup Backup

Store Offline

3-2-1 Rule

Minimum 3 backups, on 2 types of media, at least one backup offsite

Periodic images or snapshots (Shadow Copies)

Replicate to secondary location

Verify Recovery Process!!!
Information security can be complex, so you need experts to help you. Find a good technology partner that will secure your computers and your network, backup your data offsite, test data restoration, and help you with legislative audit requirements.

Give us a call!

If you don’t have a technology partner, we have one for you, **Sophicity**.

Our **ITinaBox** program can help you with all aspects of IT.

https://www.arml.org/services/league-programs/program-details/?title=it-services
<table>
<thead>
<tr>
<th>Service</th>
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</thead>
<tbody>
<tr>
<td>Cybersecurity</td>
</tr>
<tr>
<td>Data Backup and Restore</td>
</tr>
<tr>
<td>Modern Website</td>
</tr>
<tr>
<td>Business-Class Email</td>
</tr>
<tr>
<td>Document Management</td>
</tr>
<tr>
<td>Video Archiving</td>
</tr>
<tr>
<td>Procurement</td>
</tr>
<tr>
<td>IT Vendor Management</td>
</tr>
<tr>
<td>Policy and Compliance</td>
</tr>
<tr>
<td>24x7x365 Helpdesk Support</td>
</tr>
</tbody>
</table>

https://sophicity.com/ITInABox.aspx
Contact Information

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www.greatcitiesgreatstate.com
Understanding Municipal Ransomware Attacks
Effects of Ransomware

How could a Ransomware attack compromise a municipality?

- Disrupts employee email service and telephone system
- Renders internet servers inoperable
- Halts utility billing
Effects of Ransomware cont.

- Halts utility billing
- Suspends real estate transactions
- Freezes 911 dispatch functions
- Takes down online payment features
- Shuts down municipal courts
## 2019 Ransomware Attacks

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Ransom</th>
<th>Paid?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake City, FL</td>
<td>12,000</td>
<td>$460,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Riviera Beach, FL</td>
<td>35,000</td>
<td>$600,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Baltimore, MD</td>
<td>610,000</td>
<td>$76,000</td>
<td>No ($18.2 million)</td>
</tr>
<tr>
<td>TX (22 communities)</td>
<td>6,000+</td>
<td>$2.5 million</td>
<td>No</td>
</tr>
<tr>
<td>Jackson County, GA</td>
<td>70,000</td>
<td>$400,000</td>
<td>Yes</td>
</tr>
<tr>
<td>New Bedford, MA</td>
<td>95,000</td>
<td>$5.3 million</td>
<td>No (offered $400,000)</td>
</tr>
<tr>
<td>New Orleans, LA</td>
<td>420,000</td>
<td>Unknown</td>
<td>(Expected to exceed $3 million)</td>
</tr>
<tr>
<td>Atlanta, GA (2018)</td>
<td>475,000</td>
<td>$52,000</td>
<td>No ($2.7 million)</td>
</tr>
</tbody>
</table>
Municipalities As Targets

What makes a municipality an attractive target for hackers?

- “Low hanging fruit”
- Good value
- Easy to manipulate
How can a municipality lower the risk for a cyberattack?

• Develop a security strategy

• Coordinate with external partners

• Build a continuity plan
Attorney Mandy Stanton
mstanton@mwlaw.com
Information Security and Vendor Management
How to Become a Certified Municipal Official (CMO) or Certified Municipal Personnel (CMP)

September 2019
Becoming a CMO/CMP

All municipal officials—mayors, city administrators, city managers, city directors, council members, city clerks, recorders, treasurers; or municipal department heads, managers, and other key personnel—are invited to participate in the new advanced voluntary certification program.

To become a Level 1 Certified Municipal Official (CMO) or Certified Municipal Personnel (CMP), a participant must complete 21 hours of the Level 1 courses, which must include 15 hours of “core” coursework. Each core course counts as five hours of credit. The remaining six hours of credit needed to achieve CMO/CMP status may be obtained by attending continuing education courses held during the League’s annual Winter Conference, annual Convention in June, or the Planning & Zoning Workshop held in April on the odd years.

The three Level 1 core courses are repeated each year and are designed to give an overview of local governance. Continuing education courses, however, cover a variety of topics.

Advanced Level Training

For the first time, advanced level training will be offered to our members. The new advance classes will include 15 hours of Advanced Level 2 training and 20 hours of Advanced Level 3 training. Participants pursuing any and all levels of certification must obtain six hours of Continuing Education on an annual basis to maintain certification status.

If you have previously achieved your Level 1 training of 21 hours and received your certification certificate, you may advance to Level 2 training.

Maintaining Certification

Once CMOs/CMPs complete Levels 1, 2, and 3, the League encourages participants to maintain their certification moving forward by obtaining six hours of continuing education annually.

Registration Policy for Voluntary Certification Workshop Attendance

The Arkansas Municipal League’s Voluntary Certification Program is offered to mayors, city administrators, city managers, city directors, council members, city clerks, recorders, and treasurers who are currently in office; or municipal department heads, managers, and other key personnel. Members attend workshops to receive certification credit hours to obtain their CMO or CMP certificates.

Candidates running unopposed for one of the above positions may attend certification workshops if space permits. Candidates who do not fit this criteria may not attend certification workshops.

Course Schedule

Please examine the class schedule in this brochure for a preview of the next two years. Specific dates are assigned each year at the League’s annual planning meeting in August. For the current year’s schedule, consult the Calendar of Events on the League’s website, www.arml.org.

Officials may check their voluntary certification hours at the following link: www.arml.org/VCP.
### Level 1 Course Schedule

<table>
<thead>
<tr>
<th>Voluntary Certification Class Schedule</th>
<th>Odd Year</th>
<th>Even Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January Winter Conference</strong></td>
<td>*City Government 101 (5 hours core) Held during Winter Conference</td>
<td>3 Hours of Continuing Education Held during Winter Conference</td>
</tr>
<tr>
<td></td>
<td>3 Hours of Continuing Education Held during Winter Conference</td>
<td></td>
</tr>
<tr>
<td><strong>April</strong></td>
<td>Planning &amp; Zoning Workshop (5 hours continuing) Held in April at League HQ</td>
<td>*City Government 101 (5 hours core) Held in April at League HQ</td>
</tr>
<tr>
<td><strong>June Convention</strong></td>
<td>3 Hours of Continuing Education Held during June Convention</td>
<td>3 Hours of Continuing Education Held during June Convention</td>
</tr>
<tr>
<td><strong>September</strong></td>
<td>*Finance &amp; Budgeting Workshop (5 hours core) Held in Sept. at League HQ</td>
<td>*Finance &amp; Budgeting Workshop (5 hours core) Held in Sept. at League HQ</td>
</tr>
<tr>
<td><strong>October</strong></td>
<td>*HR Workshop (5 hours core) Held in Oct. at League HQ</td>
<td>*HR Workshop (5 hours core) Held in Oct. at League HQ</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>*15 core hours + 6 continuing hours</td>
<td>*15 core hours + 6 continuing hours</td>
</tr>
</tbody>
</table>

One of the primary goals of the Arkansas Municipal League is to promote municipal education and provide local government officials with the knowledge and leadership skills to meet the challenges of the 21st Century. To that end the League’s Executive Committee in 2010 established a voluntary certification program for municipal officials. The purpose of the certification program is to increase municipal officials’ knowledge of local governance.
## Voluntary Certification Program

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Continuing Education</th>
<th>Advanced Level 2</th>
<th>Advanced Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Government 101</td>
<td>Various topics of interest to municipalities</td>
<td>Municipal Finance 201</td>
<td>Personnel Management</td>
</tr>
<tr>
<td>Municipal Finance 101</td>
<td></td>
<td>Disaster Preparedness</td>
<td>Technology/Cybersecurity</td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td>Leadership 101 at the Local Level</td>
<td>Conflict Management</td>
</tr>
<tr>
<td>15 hours</td>
<td>6 hours</td>
<td>15 hours</td>
<td>20 hours</td>
</tr>
</tbody>
</table>

## Voluntary Certification Class Schedule

<table>
<thead>
<tr>
<th>Month</th>
<th>Even Year 2020</th>
<th>Month</th>
<th>Odd Year 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>Municipal Finance 201 (5 hours of Advanced Level 2)</td>
<td>Jan.</td>
<td>Winter Conference City Gov’t 101 (5 hours of Level 1) plus (3 Hours of Continuing Education)</td>
</tr>
<tr>
<td>Feb.</td>
<td>Winter Conference (3 Hours of Continuing Education)</td>
<td>Feb.</td>
<td>Personnel Management (5 hours of Advanced Level 3)</td>
</tr>
<tr>
<td>Mar.</td>
<td>Disaster Preparedness (5 hours of Advanced Level 2)</td>
<td>Mar.</td>
<td>Technology/Cybersecurity (5 hours of Advanced Level 3)</td>
</tr>
<tr>
<td>April</td>
<td>City Government 101 (5 hours of Level 1)</td>
<td>April</td>
<td>Planning &amp; Zoning (5 hours of Continuing Education)</td>
</tr>
<tr>
<td>May</td>
<td>Leadership 101 (5 hours of Advanced Level 2)</td>
<td>May</td>
<td>Conflict Management (5 hours of Advanced Level 3)</td>
</tr>
<tr>
<td>June</td>
<td>June Convention (3 Hours of Continuing Education)</td>
<td>June</td>
<td>June Convention (3 Hours of Continuing Education)</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td>July</td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td>Municipal Finance 101 Workshop (5 hours of Level 1)</td>
<td>Sept.</td>
<td>Municipal Finance 101 Workshop (5 hours of Level 1)</td>
</tr>
<tr>
<td>Oct.</td>
<td>Human Resources (5 hours of Level 1)</td>
<td>Oct.</td>
<td>Human Resources (5 hours of Level 1)</td>
</tr>
<tr>
<td>Nov.</td>
<td>MHBP/MLWCP</td>
<td>Nov.</td>
<td>Leadership 201 (5 hours of Advanced Level 3)</td>
</tr>
</tbody>
</table>
For more information on the Certification Program, contact Whitnee V. Bullerwell (501) 978-6105, email wvb@arml.org or Tricia Zello at (501) 374-3484 ext. 285, email tzello@arml.org.
**THE FAIR LABOR STANDARDS ACT**

*“21 THINGS YOU SHOULD KNOW”*

**All Employees**

1. The minimum wage in Arkansas is $8.50 per hour for the year 2018. “Beginning January 1, 2019, every employer shall pay each of his or her employees wages at the rate of not less than nine dollars and twenty-five cents ($9.25) per hour, beginning January 1, 2020 the rate of not less than ten dollars ($10.00) per hour and beginning January 1, 2021 the rate of not less than eleven dollars ($11.00) per hour except as otherwise provided in this subchapter.” (A.C.A. § 11-4-210(a)(2)).

   Note: The federal minimum wage for covered, non-exempt employees is $7.25 per hour. However, states are entitled to set a higher minimum wage. Accordingly, the higher Arkansas wage rates are applicable.

2. Overtime or compensatory time must be paid at time and one-half of the employee’s regularly hourly rate (29 U.S.C. § 207(a)(1)). Even if the employee receives a salary, overtime or compensatory time must be granted unless the employee is exempt as explained below.

   Employers cannot avoid paying overtime or compensatory time by averaging hours over several workweeks. The FLSA requires that each workweek stand alone (29 C.F.R. § 778.104). (But see chart below for information on uniformed employee shifts).

3. If an employee volunteers to substitute shifts with another employee after first obtaining the employer’s approval and works more than the maximum hours for a given work period as a result of the switch, his employer is not responsible for paying the additional overtime (29 C.F.R. § 533.31(a)). The regulations state that this may occur “only if employees’ decisions to substitute for one another are made freely and without coercion, direct or implied. An employer may suggest that an employee substitute or ‘trade time’ with another employee working in the same capacity during regularly scheduled hours, but each employee must be free to refuse to perform such work without sanction and without being required to explain or justify the decision.” (29 C.F.R. § 533.31(b)).

   Employers are not required to maintain a record of time traded and there is no specific period of time in which the shift must be paid back (see 29 C.F.R. § 533.31). Therefore, the employee’s paycheck for that period would not reflect the switch in additional hours or overtime pay (29 C.F.R. § 553.31).

4. Employees do not have to be paid for “on-call” time unless their activities are overly restricted (29 C.F.R. § 785.17). On-call time should not be counted as compensable unless the employee is required to remain at or near the employer’s premises or otherwise cannot use his or her time freely (29 C.F.R. § 785.17). Providing electronic pagers or cell phones to employees can solve many on-call time problems.
Exempt Employees

5. Elected municipal officials, their personal staffs, persons appointed by elected officials to serve on a policy making level, and legal advisors are considered exempt employees and are excluded from coverage under the Fair Labor Standards Act (29 C.F.R. § 553.11).

6. Trainees and students are not employees within the meaning of the Fair Labor Standards Act if they meet all six criteria below:
   (1) The training, even though it includes actual operation of the facilities of the Federal activity, is similar to that given in a vocational school or other institution of learning;
   (2) The training is for the benefit of the individual;
   (3) The trainee does not displace regular employees, but is supervised by them;
   (4) The Federal activity which provides the training derives no immediate advantage from the activities of the trainee; on occasion its operations may actually be impeded;
   (5) The trainee is not necessarily entitled to a job with the Federal activity at the completion of the training period; and
   (6) The agency and the trainee understand that the trainee is not entitled to the payment of wages from the agency for the time spent in training (5 C.F.R. § 551.104).

7. Volunteers are not employees and an employee cannot volunteer to do the same work for the same public agency which he is being paid (29 C.F.R. §§ 553.100, 553.102).


9. Executive, administrative, and professional white-collar employees are exempt from both minimum wage and overtime provisions if they meet all the requirements specified for their job category. These are not the only exemptions, but are the most typical in Arkansas cities and towns.

   Note: The salary rate is scheduled to increase from $455 per week to $684 per week, effective January 1, 2020.

   a. Executive employees
      (1) The employee must be compensated on a salary basis at a rate not less than $455 per week ($684 per week, effective January 1, 2019);
      (2) The employee’s primary duty must be managing the enterprise in which the employee is employed or managing a customarily recognized department or subdivision of the enterprise;
      (3) The employee must customarily and regularly direct the work of two or more other full-time employees or their equivalent; and
      (4) The employee must have the authority to hire or fire other employees, or the employee’s suggestions and recommendations as to the hiring, firing, advancement, promotion or any
other change of status of other employees are given particular weight (29 C.F.R. § 541.100).

b. **Administrative employee**

(1) Compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging or other facilities ($684 per week, effective January 1, 2019);

(2) Whose primary duty is the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer’s customers; and

(3) Whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance (29 C.F.R. § 541.200).

c. **Professional employee**

(a) The term “employee employed in a bona fide professional capacity” in section 13(a)(1) of the Act shall mean any employee:

(1) Compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging, or other facilities ($684 per week, effective January 1, 2019); and

(2) Whose primary duty is the performance of work:

   (i) Requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction; or

   (ii) Requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor (29 C.F.R. § 541.300).

d. **Computer Employee Exemption**

(a) Computer systems analysts, computer programmers, software engineers or other similarly skilled workers in the computer field are eligible for exemption as professionals under section 13(a)(1) of the Act and under section 13(a)(17) of the Act. Because job titles vary widely and change quickly in the computer industry, job titles are not determinative of the applicability of this exemption.

(b) The (a)(1) exemption applies to any computer employee compensated on a salary or fee basis at a rate of not less than $455 per week exclusive of board, lodging or other facilities, and the (a)(17) exemption applies to any computer employee compensated on an hourly basis at a rate not less than $27.63 an hour ($684 per week, effective January 1, 2019). In addition, under either section 13(a)(1) or section 13(a)(17) of the Act, the exemptions apply only to computer employees whose primary duty consists of:

(1) The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;

(2) The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;
(3) The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or

(4) A combination of the aforementioned duties, the performance of which requires the same level of skills (29 C.F.R. § 541.400).

10. Employees of amusement or recreational establishments are exempt from minimum wage and overtime if one of the following requirements is satisfied:

   (a) The establishment must not operate for more than seven months in any calendar year.

   (b) During the preceding calendar year, the establishment’s average receipts for any six months of that year must have been equal to or less than one-third of its average receipts for the other six months of that year (29 C.F.R. § 779.385).

Uniformed Employees—Police and Fire

11. Law enforcement officers in cities and towns with fewer than five (5) law enforcement officers, including the chief or marshal, are exempt from the overtime provisions (29 U.S.C. § 213(b)(20); 29 C.F.R. §§ 553.200, 553.211). To count as a law enforcement officer, the officer must be someone: (1) who is a uniformed or plain clothed member of a body of officers and subordinates who are legally authorized to enforce laws designed to maintain public peace and order and to protect both life and property from accidental or willful injury, and to prevent and detect crimes, (2) who has the power to arrest, and (3) who is presently undergoing or has undergone or will undergo on-the-job training and/or a course of instruction and study which typically includes physical training, self-defense, firearm proficiency, criminal and civil law principles, investigative and law enforcement techniques, community relations, medical aid and ethics (29 C.F.R. § 553.211).

   Volunteers are not considered “employees” for this purpose however. No distinction is made between part-time and full-time employees.

   This means that if you have four (4) or fewer than four (4) law enforcement officers (not including radio operators), the city does not have to pay overtime. You must be sure your officers receive minimum wage for all hours worked in a work period.

12. Cities and towns with fewer than five (5) paid firefighters, including the chief (if paid), are exempt from paying overtime to those employees who meet the following definition: “Employee in fire protection activities” means an employee, including a firefighter, paramedic, emergency medical technician, rescue worker, ambulance personnel, or hazardous materials worker, who—

   (1) is trained in fire suppression, has the legal authority and responsibility to engage in fire suppression, and is employed by a fire department of a municipality, county, fire district, or State; and

   (2) is engaged in the prevention, control, and extinguishment of fires or response to emergency situations where life, property, or the environment is at risk (29 U.S.C. § 203(y); see also 29 C.F.R. § 553.210(a)).
You must be sure your paid firefighters (four or fewer) receive minimum wage for all hours on duty during the work period (see 29 U.S.C. § 213(b)(20); A.C.A. § 11-4-210(a)(2)).

13. Volunteer firefighters and auxiliary police officers are “volunteers” and are not treated as employees under the 1985 Amendments to the Fair Labor Standards Act (29 C.F.R. § 553.104(b)).

14. The FLSA provides a partial overtime exemption for law enforcement officers and firefighters who work a “work period” established by the city of no fewer than seven days and no more than twenty-eight days. The city can establish separate work periods for the police department and the fire department. If the city fails to establish a work period, 207(k) does not apply and a fire or police employee working over forty hours will accrue overtime compensation (29 C.F.R. § 553.230).

The Secretary of Labor has set maximum hour standards based on a 28-day work period for both fire department and law enforcement personnel, determining that law enforcement employees who work over 171 hours within a 28-day work period must be compensated for those hours in excess of 171 and that fire department employees working in excess of 212 hours within a 28-day period must also be compensated (29 C.F.R. § 553.230). These 28-day standards can be used as ratios to determine maximum hours for other approved work periods. See the following chart.
Maximum Hour Standards for work periods of 7 to 28 days – section 7(k). 29 C.F.R. § 552.230.

<table>
<thead>
<tr>
<th>Work period (days)</th>
<th>Fire protection</th>
<th>Law enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>212</td>
<td>171</td>
</tr>
<tr>
<td>27</td>
<td>204</td>
<td>165</td>
</tr>
<tr>
<td>26</td>
<td>197</td>
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<td>167</td>
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<td>49</td>
</tr>
<tr>
<td>7</td>
<td>53</td>
<td>43</td>
</tr>
</tbody>
</table>

When determining compensatory time for either law enforcement personnel or firefighters who miss a shift due to illness, vacation, personal leave, or any other reason, hours missed will not count as hours worked and are not compensable for overtime purposes (29 C.F.R. §§ 553.201, 553.230).

15. Civilian radio operators, clerks, secretaries, and janitors of police and fire departments are on a 40-hour workweek with time and one-half for all hours over 40 hours per week. They do not qualify for the law enforcement officers or firefighters’ “work period” hours exemption (see 29 C.F.R. §§ 553.210(b), 553.211(e)).

16. The city as employer has the option of paying overtime or of giving comp time off. The employee must understand that the city has a policy of compensatory time off. Compensatory time is accrued at 1 ½ hours for each hour worked. Public safety employees—police and fire—and emergency response employees can accrue a maximum of 480 hours of comp time or 320 hours worked. After an employee has accrued maximum compensatory time, the employee must be paid in cash for overtime worked.

An employee shall be permitted to use accrued comp time within a reasonable period after requesting it if to do so would not disrupt the operations of the employer. Payment of accrued
comp time upon termination of employment shall be calculated at the average regular rate of
pay for the final three years of employment or the final regular rate received by the employee,
whichever is higher (29 C.F.R. § 553.21(o)(3)(B)).

If the employer pays cash wages for overtime hours rather than in compensatory time, the
wages must be paid at one and one-half times the employee’s regular rate of pay (29 C.F.R. §
553.232).

The United States Supreme Court has held that a public employer may require its
employees to use their accumulated compensatory time. Christensen v. Harris County, 529 U.S.
576, 120 S.Ct. 1655 (2000). If employees do not use accumulated compensatory time, the
employer must pay cash compensation in some circumstances. In order to avoid paying for
accrued compensatory time, Harris County, Texas, enacted a policy requiring its employees to
schedule time off in order to reduce the amount of accrued compensatory time.

The Court described Harris County’s policy as follows: “The employees’ supervisor sets a
maximum number of compensatory hours that may be accumulated. When an employee’s
stock of hours approaches that maximum, the employee is advised of the maximum and is
asked to take steps to reduce accumulated compensatory time. If the employee does not do so
voluntarily, a supervisor may order the employee to use his compensatory time at specified
times.” The Court held that, although 29 U.S.C. § 207(o)(5) limits an employer’s ability to
prohibit the use of compensatory time when requested, that does not restrict the employer’s
ability to require employees to use compensatory time.

Non-Uniformed Employees

17. All non-uniformed employees are entitled to overtime or compensatory time off after 40 hours
per week worked unless they are otherwise exempt (see, for example the categories discussed
in No. 8 above) (29 C.F.R. § 778.101).

18. There is no FLSA limit on the number of hours per day worked (other than child labor)
(29 C.F.R. § 778.102).

19. A work week under the FLSA is defined as seven consecutive 24-hour periods (although this
may be altered for police and firefighters as discussed above). Note that this may not be the
same as the city’s “pay period.” The city can determine the day and the time of day that the
work week begins. Once the beginning time of an employee’s workweek is established, it
remains fixed regardless of the schedule of hours worked by him. The beginning of the
workweek may be changed if the change is intended to be permanent and is not designed to
evade the overtime requirements of the Act (29 C.F.R. § 778.105). We recommend that the city
work week for water, sewer, street, sanitation, etc., employees begin at 5 p.m. on Fridays.

The city can schedule the hours worked within the work week to limit or prevent overtime.
If an emergency occurs over the weekend and some employees must work 16 hours Saturday
and 16 hours Sunday, then the city can (if their services are not absolutely needed) tell those
employees to take off the rest of the week after working one eight hour shift each. This way each employee is limited to 40 hours per week for the week beginning 5 p.m. on Friday.

20. Only hours worked count in calculating overtime. Pay for holidays, vacations, sick time, jury duty, etc., do not count as hours worked (see 29 C.F.R. § 778.102).

21. If an employee works more than 40 hours per week, the city could give him compensatory time off at the rate of 1 ½ hours for each hour worked over 40 hours per week. The compensatory time belongs to the employee and can accrue to a maximum of 240 hours (160 hours actual work).

The employee must be allowed to use his comp time when he desires unless it would unduly disrupt the city’s operations to do so at that particular time. For a discussion of requiring the employee to take accumulated compensatory time, see point 16 above.

In case of termination of employment, an employee shall be paid for all accrued comp time at his then salary or the average rate of pay for the final three years of employment, whichever is greater (29 C.F.R. §§ 553.21, 553.25).
Cybersecurity and Computer Maintenance
IT in a Box guards against cyberattacks by keeping your computers patched, protected, and healthy. Includes always-on monitoring and alerting for issues, enterprise-class antivirus protection, automated computer maintenance, and ongoing software patching to keep you secure.

24x7 Helpdesk
IT in a Box’s U.S. based helpdesk provides cities both remote and onsite support. You will talk to senior IT engineers with many years of experience supporting municipal staff and applications. Available 24x7x365, our helpdesk supports your municipal staff in the office, working from home, and on the road.

Data Backup and Disaster Recovery
Onsite data backup for quick recovery after events like a server failure. Unlimited offsite data backup for worst-case scenario recovery after a major incident like a natural disaster. Real-time monitoring to quickly address data backup issues and quarterly testing to verify your disaster recovery.

Records / Document Management and Email
Software and policies to protect your city records, documents, and email. Reliably archive, retain, access, and delete information according to your record retention schedules—and we even help you process Open Records Requests. Also includes Microsoft Office Professional Plus and city email with 50GB of mailbox storage for each user.

Video Archiving
No more buying additional expensive storage for video. We provide unlimited offsite video storage to meet state record retention policies. As your squad car and body camera video continue to grow at a rapid pace, your storage costs do not change.

Who guarantees IT services based on your expectations?
WE DO!

Our GUARANTEE
> Love I.T. If we don’t meet your expectations, then cancel the service!
> Flat monthly fee. No hourly charges. Predictable!
> No upfront project fees. Onboarding, equipment, and setup included!
> Flexible. Increase or decrease your number of users any time!
> Proven. Tailored for cities!

Policy and Compliance
We help you adopt best practices and policies that address information security risks and assist with Legislative Audit compliance. By making sure your staff is knowledgeable and prepared, we help your city comply with the law and lessen your risk of falling victim to the latest external and internal threats.

Website
We provide you a modern website with a custom design that will reflect your community well online. To save you time, submit your website updates to us and we will post them for you.

Vendor Management and Procurement
No more frustrating calls with vendors. We’ve got it! Issues with your software or hardware vendor? Call us for support. Need a new computer? Call us and we’ll procure it.

Dave Mims | 770.670.6940 x110
davemims@sophicity.com
www.sophicity.com

Chris Hartley | 501.978.6106
chartley@arml.org
www.arml.org
## IT in a Box Gold

Features & benefits include:
- Cybersecurity & Computer Maintenance
- 24x7 Helpdesk (onsite & remote)
- Data Backup & Disaster Recovery
- Records/Document Management, Email, & Microsoft Office

### Example: 2 PCs

<table>
<thead>
<tr>
<th>List price</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
<td>$252</td>
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<tr>
<td>Onboarding FREE</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 37% the first year!</td>
<td>$142</td>
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<tr>
<td>Onboarding FREE</td>
<td>$1,000</td>
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<tr>
<td>AML members SAVE 30% the first year!</td>
<td>$50</td>
</tr>
</tbody>
</table>

### Example: 5 PCs & 1 Server

<table>
<thead>
<tr>
<th>List price</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
<td>$768</td>
</tr>
<tr>
<td>Onboarding FREE</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 37% the first year!</td>
<td>$261</td>
</tr>
<tr>
<td>Onboarding FREE</td>
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<tr>
<td>AML members SAVE 30% the first year!</td>
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### Example: 10 PCs & 3 Servers

<table>
<thead>
<tr>
<th>List price</th>
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<tbody>
<tr>
<td>Onboarding</td>
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<tr>
<td>AML members SAVE 52% the first year!</td>
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<tr>
<td>AML members SAVE 37% the first year!</td>
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<tr>
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<tr>
<td>AML members SAVE 30% the first year!</td>
<td>$580</td>
</tr>
</tbody>
</table>

## IT in a Box Silver

Features & benefits include:
- Cybersecurity & Computer Maintenance
- 24x7 Helpdesk (remote)
- Video Archiving
- Policy & Compliance
- Website
- Vendor Management and Procurement

### Example: 2 PCs

<table>
<thead>
<tr>
<th>List price</th>
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<tbody>
<tr>
<td>Onboarding</td>
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<td>AML members SAVE 52% the first year!</td>
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<td>Onboarding FREE</td>
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<td>AML members SAVE 27% the first year!</td>
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### Example: 5 PCs & 1 Server

<table>
<thead>
<tr>
<th>List price</th>
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</thead>
<tbody>
<tr>
<td>Onboarding</td>
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</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
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<tr>
<td>Onboarding FREE</td>
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<tr>
<td>AML members SAVE 34% the first year!</td>
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</tr>
<tr>
<td>Onboarding FREE</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 27% the first year!</td>
<td>$76</td>
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</table>

### Example: 10 PCs & 3 Servers

<table>
<thead>
<tr>
<th>List price</th>
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</thead>
<tbody>
<tr>
<td>Onboarding</td>
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</tr>
<tr>
<td>AML members SAVE 52% the first year!</td>
<td>$1,468</td>
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<tr>
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<tr>
<td>AML members SAVE 34% the first year!</td>
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<tr>
<td>Onboarding FREE</td>
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<tr>
<td>AML members SAVE 27% the first year!</td>
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</tr>
</tbody>
</table>

## IT in a Box Bronze

Features & benefits include:
- Cybersecurity & Computer Maintenance
- Data Backup & Disaster Recovery

### Example: 2 PCs

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<tbody>
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### Example: 5 PCs & 1 Server

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<tbody>
<tr>
<td>Onboarding</td>
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<td>AML members SAVE 65% the first year!</td>
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<tr>
<td>AML members SAVE 42% the first year!</td>
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<tr>
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<tr>
<td>AML members SAVE 30% the first year!</td>
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</tr>
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</table>

### Example: 10 PCs & 3 Servers

<table>
<thead>
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<tr>
<td>Onboarding FREE</td>
<td>$1,000</td>
</tr>
<tr>
<td>AML members SAVE 30% the first year!</td>
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Introduction

As local government becomes increasingly complex, local officials must understand the duties and responsibilities of their offices. The purpose of this booklet is to assist newly-elected city officials in learning their statutory duties and responsibilities in order to become effective city leaders. This booklet also points out the differences in the functions of the various municipal offices.

Arkansas statutes are laws passed by the Arkansas General Assembly (the State Legislature) and are codified into the Arkansas Code Annotated of 1987 as amended. The Arkansas Municipal League has published a Handbook for Arkansas Municipal Officials, which contains most of the laws affecting municipal government in Arkansas. This Handbook has the same numbering system as the Arkansas Code Annotated (abbreviated as Ark. Code Ann. or A.C.A.) but does not contain all of the statutes found in the Arkansas Code (which occupies an entire bookshelf!) The Arkansas Municipal League also publishes a book, General Acts Affecting Arkansas Municipalities, after each regular session of the General Assembly.

The Arkansas Municipal League recommends that you, as a municipal official, ask your city attorney when you have legal questions or need assistance with legal issues. As always, the League staff remains available to assist you.

Disclaimer

The information contained in this book is not intended as legal advice for any specific case. Readers are responsible for consulting with legal counsel when questions arise concerning the application of the law to a particular set of facts. This book is intended solely for educational and informational purposes.
Chapter I

An Overview of Arkansas Municipal Government

Arkansas municipalities are creatures of the state. Prior to 2011, cities had only the powers granted to them by the Arkansas Constitution and statutes passed by the Arkansas General Assembly. This is known as Dillon’s Rule and, according to the Arkansas Supreme Court, it means:

a municipal corporation possesses and can exercise the following powers and no others: First, those granted in express words; second, those necessarily or fairly implied in or incident to the powers expressly granted; third, those essential to the accomplishment of the declared objects and purposes of the corporation—not simply convenient, but indispensable.


The Legislature expanded this rule to a certain extent for some cities. “Home Rule” statutes gave the power to first-class cities and certain cities operating under a charter the power to exercise all powers relating to municipal affairs so long as they did not conflict with state law. In 1875, the Legislature enacted A.C.A. § 14-55-102, which gave broad authority to municipalities by granting cities and towns the power to pass ordinances. Although § 14-55-102 could be interpreted as repealing Dillon’s Rule, the Arkansas Supreme Court continued to apply Dillon’s Rule long after the enactment of that statute in 1875, upholding ordinances under that section if they were legitimately aimed at protecting public health and safety.

However, Act 1187 of 2011 repealed Dillon’s Rule and extended certain powers granted to cities of the first class to all municipalities. A.C.A. § 14-43-602 states that the rule of decision known as Dillon’s Rule is inapplicable to the municipal affairs of municipalities. It gives a municipality the authority to “perform any function and exercise full legislative power in any and all matters of whatsoever nature pertaining to its municipal affairs including, but not limited to, the power to tax.” A.C.A. § 14-43-601 defines “municipal affairs” as “all matters and affairs of government germane to, affecting, or concerning the municipality or its government except state affairs subject to the general laws of the State of Arkansas,” which are listed in §14-43-601(a)(1). A municipality may legislate upon the state affairs described in subdivision (a)(1) of § 14-43-601 if not in conflict with state law.

Incorporation

An Arkansas community may incorporate by a written petition that describes the geographic area seeking to incorporate and identifying the persons authorized to act on behalf of the petitioners. The petition must be signed by at least 200 or a majority of the qualified electors, whichever is greater, and presented to the county court (county judge). The county court shall set a date for a hearing and, after the hearing, the court will either approve or reject the incorporation. If approved, the incorporation is filed with the Secretary of State and notice of election of officers for the newly-incorporated municipality is posted. New cities or towns cannot incorporate if they are within three (3) miles of the boundaries of another incorporated city or town unless the governing body of that city or town has “by written resolution affirmatively consented to said incorporation.” In addition, certain real estate developments are exempt from the three-mile limitation requirement. A.C.A. § 14-38-101. Note that Act 932 of 2019 makes an exception to the consent requirement if the area seeking to be incorporated contains a population of fifteen-hundred (1,500) or more.

Arkansas law also allows for an election procedure as an alternative for the incorporation of new municipalities having a population of at least 1,500. A.C.A. § 14-38-115 (As amended by Act 932). Once a city or town has become incorporated, it may annex additional territory as described in Municipal Annexation, Incorporation and Boundary Changes (2019), published by the Arkansas Municipal League.
Classification
Arkansas municipalities are divided into three (3) classes based on population. A.C.A §§ 14-37-102 & 103.

<table>
<thead>
<tr>
<th>Class of City</th>
<th>Population</th>
<th>Referred to As</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2,500 or more</td>
<td>City of the First Class</td>
</tr>
<tr>
<td>Second</td>
<td>500-2,499</td>
<td>City of the Second Class</td>
</tr>
<tr>
<td>Incorporated</td>
<td>499 or fewer</td>
<td>Incorporated Town</td>
</tr>
</tbody>
</table>

Once a municipality reaches a population of 500, it is classified as a city of the second class, and once a municipality reaches a population of 2,500, it is classified as a city of the first class. However, there are exceptions to these classification criteria. If the council of a town with less than 500 population wishes to become a city of the second class, it may do so by submitting an ordinance to the voters, and if the voters approve, the town becomes a city of the second class. Further, any city with of a population of 1,500 or more may, by enactment of an ordinance, become a city of the first class. A.C.A. § 14-37-103. Arkansas law also allows for cities with certain populations to reduce their classification. A.C.A. §§ 14-37-111 and 14-37-114.

The Duties of the Mayor

All mayors are encouraged to become familiar with their duties and responsibilities by reading the sections concerning the powers of the mayor in the current Handbook. The purpose of this Guidebook is to give a summary and overview of the duties of mayor.

- **The Duties of the Mayor in the Mayor-Council Form of Government**
  The principal officer of all Arkansas cities and towns within the mayor/council form of government is the mayor. By virtue of this position, the mayor is ex-officio president of the council. It is the mayor’s responsibility to keep the city government running properly. This includes enforcing city ordinances and making sure that the residents receive maximum benefits and services for the taxes that they pay.

- **Legislative Duties of the Mayor**
  - In all municipalities in Arkansas, the mayor presides over the meetings of the council in cities and towns with the mayor/council form of government.
  - The mayor may vote when the mayor’s vote is needed to pass any ordinance, bylaw, resolution or motion. A.C.A. §§ 14-43-501; 14-44-107; 14-45-105. Mayors in cities of the first and second class have a vote to establish a quorum. A.C.A. §§ 14-43-501; 14-44-107.
  - After the passage of an ordinance setting the procedure for special council meetings, the mayor has the authority to call the council into session for a special meeting. A.C.A. § 14-43-502.
  - The mayor is required to sign all ordinances, resolutions and city council minutes. A.C.A. § 14-55-205.
  - If provided by council rules, the mayor may introduce ordinances and resolutions and recommend policy.
  - The mayor in cities and towns with the mayor/council form of government may veto any ordinance, resolution or order adopted by the council. Councils may override the veto by two-thirds vote of the total membership of the council. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
  - The vote to override should occur at the next regular council meeting. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
• **Administrative Duties of the Mayor**
  - Mayors of cities and towns with the mayor/council form of government are required to prepare and submit a budget to the city council for approval on or before December 1 of each year (See Chapter V).
  - All mayors of cities of the first class must submit to the city council within the first 90 days of each year a complete report on the financial and administrative activities of the city. This is commonly referred to as the State of the City Report. A.C.A. § 14-58-302.
  - The mayor shall also “keep the governing body advised as to the financial condition and future needs of the city and make such recommendations as to him or her may be desirable.” A.C.A. § 14-58-302.
  - The mayor oversees the day-to-day activities of the city and supervises department heads.

• **The Mayor's Duties of Appointment, Nomination and Removal**

  Mayors in cities or towns with the mayor/council form of government have the power to appoint and remove all department heads, including police and fire chiefs, unless the city or town council votes to override the mayor's action by a two-thirds majority of all council members. In cities with a civil service commission, the council may, by ordinance, delegate the authority to appoint and remove the police or fire chief to the city's civil service commission. The mayor may not appoint or remove department heads that are not under the control of the governing body of the city. A.C.A. § 14-42-110.

  Mayors may also appoint or nominate:
  - A building official (A.C.A. § 14-56-202(b)).
  - A board of library trustees (A.C.A. § 13-2-502 [with city council approval]).
  - A health officer, when the position has been created by ordinance (A.C.A. § 14-262-103).
  - An airport commission (with council approval) (A.C.A. § 14-359-105).
  - A parks and recreation commission (A.C.A. § 14-269-202 [with council confirmation] and 14-269-302 [with council confirmation]).
  - A marshal in some second class cities (A.C.A. § 14-44-111).
  - An at-large member of an Advertising and Promotion Commission (with council approval) (A.C.A. § 26-75-605).

**Duties of the Council Members**

City council members are officers and officials of their city. The city council:

- Enacts ordinances and bylaws concerning municipal affairs that are consistent with state law in order to promote the health, safety, and welfare of the public. A.C.A. §§ 14-55-102; 14-43-602.
- Has the management and control of the city finances and all real and personal property belonging to the city. A.C.A. § 14-43-502.
- Adopts a budget by ordinance or resolution for operation of the city or town by February 1 of each year. A.C.A. § 14-58-202.
- Sets the procedures by ordinance for making purchases that do not exceed the sum of $20,000 in cities of the first class, except as provided in A.C.A. § 14-58-104. Councils in second class cities and in towns may set procedures for making purchases, except as provided in section 14-58-104. A.C.A. § 14-58-303(b).
- Sets the time and place for regular city council meetings (A.C.A. § 14-43-501). All meetings should be open to the public in accord with the state Freedom of Information Act. A.C.A. § 25-19-106.
- May override the mayor's appointment and removal of department heads by a two-thirds vote of the total membership. A.C.A. § 14-42-110.
• May override the mayor’s veto by a two-thirds vote. A.C.A. §§ 14-43-504; 14-44-107; 14-45-105.
• Calls for a special election in cities of the first class to fill the vacancy of the unexpired mayor’s term of office, if the unexpired term is for more than one (1) year. A.C.A. § 14-43-401(b).
• May fill, by appointment in cities of the first class, the vacancy to the office of mayor if the expired term is less than one (1) year. A.C.A. § 14-43-401(b)(1).

In a city of the second class or an incorporated town the city council shall fill a vacancy in the mayor’s office for the unexpired term by either a majority vote of the council members or a special election. A.C.A. §§ 14-44-106; 14-45-103).

• Sets the salaries of the mayor, council and other municipal officials. Salaries of officials may be increased, but not decreased, during the term of office, except that the official receiving the salary may request a decrease. A.C.A. § 14-42-113.
• Either establishes a city fire department or, by ordinance, enters into a contract or interlocal agreement for city fire protection with an existing fire department certified by the Arkansas Fire Protection Services Board. The council may promulgate rules to govern a city fire department. A.C.A. § 14-53-101.
• Establishes a city police department and organizes it under the general superintendence of the mayor. A.C.A. § 14-52-101. Directs by ordinance the number of subordinate number of officers to be appointed. A.C.A. § 14-52-201.
• Sets the rates for city utilities and establishes fees for city services.
• Enacts ordinances establishing sales taxes and referring same to the voters.
• Takes actions leading to annexation of territory to the city.
• Establishes and certifies to the county clerk the amount of property taxes to be levied within the city or town prior to the regular meeting of the quorum court in November or December of each year. A.C.A. §§ 26-73-202; 14-14-904.
• May establish (and abolish) various commissions to manage and operate such services as parks, utilities, an airport, advertising and promotion, planning and others, as provided by state law.

Mayor/Council Diagram
Chapter II
City Council Rules of Procedure and Different Types of Meetings

Procedural Rules
Each Arkansas city and town is unique. Your municipality and the residents you represent are no exception. The council rules of procedure should be agreed to and officially adopted by the majority of the council members. Rules of procedure are guides to the generally-accepted way that things get done. Topics that are usually covered in procedural rules include:

- **Meetings**: the usual date, time and place for regularly scheduled meetings. Setting the procedure for calling a special meeting must be done by ordinance.
- **Order of Business**: the usual format to be followed, including who is responsible for preparing the agenda according to that format, and special provisions for agenda items such as developing a consent agenda.
- **General Meeting Procedures**: time limits for debate, if any, and who may speak at what point.
- **Public Hearings**: procedure and time limits.
- **New Business**: a process for allowing new items to be added to the agenda.
- **Exceptions**: specific provisions for when and how the rules can be suspended.
- **Parliamentary Process**: rules of debate governing motions, the order of issues to be discussed, and other elements that control discussion at meetings. The *Procedural Rules for Municipal Officials (2014)* booklet is used by many Arkansas cities. Copies of *Procedural Rules* are available by calling the Arkansas Municipal League at (501) 374-3484. You also download it online from www.arml.org/services/publications/publications-for-free.

Rules of procedure and public debate are designed to facilitate the transaction of public business in an orderly way. At first it may not seem orderly to you. It is not unusual for newly-elected council members to take up to six (6) months before they feel comfortable with the procedures. Do not be hesitant about asking questions if you are not sure about the consequences of your vote. For example, you may want to ask, “If I vote ‘no’ on the amendment, what happens to the main motion?” That is a reasonable request for information.

Different Types of Meetings
Newly elected officials should quickly learn that there are four kinds of meetings.

- **Regular Council Meetings**: These meetings handle general and routine business.
- **Special Meetings**: Business that cannot be postponed, or issues that affect a limited number of citizens, are dealt with at a specially-scheduled meeting. These meetings usually have a more limited agenda than regular meetings but, like regular meetings, they are open to the public. It is important that the time and place of meetings of this sort are announced to the media as required by the Freedom of Information Act. Media that have requested notice must be given at least two hours advance notification. A.C.A. § 25-19-106(b).
- **Public Hearings**: Hearings are a forum for residents to express opinions and for council members to explain their positions to the public. Hearings are most effective when they target only one item per hearing, for example, the budget or a re-zoning request.
- **Work Session**: An informal meeting, generally called for the purpose of conducting an in-depth study on a limited number of topics. Work session meetings encourage exploration of subjects in more detail than is possible in regular meetings because of the time constraints and the pressure of other business that occur in regular council session. These sessions must be open to the public.

Each of these types of meetings offers a way to achieve certain goals. A correct choice of meeting type will enable your city government to do its job effectively.
Chapter III
Proper Ways to Pass Ordinances and Resolutions

A city or town council can take official action in two ways: It can pass a resolution or an ordinance. Both actions play important roles in their own way and they share certain similarities. However, there are distinctions between the two and knowing the differences is important.

Resolutions
A resolution is an expression of the will of the council. Resolutions are used to state the council's opinion on various matters—for example, supporting or opposing legislation pending at the State Capitol. Resolutions usually affect items of a temporary or administrative nature, such as entering into contracts, approving large purchases or entering into agreements with other governmental units. A resolution is the official expression of the council and may be adopted by the council at one reading, as long as it is not general or permanent in nature. A.C.A. § 14-55-202.

Ordinances
An ordinance is a local law that usually regulates persons or property and usually relates to a matter of a general or permanent nature. An ordinance is more formal and authoritative than a resolution. Therefore, we recommend your city attorney approve the structure and content of all proposed city ordinances. An ordinance should not conflict with federal or state law. It should also be in harmony with applicable court decisions. There are seven rules to remember about passing an ordinance.

1. Ordinances must be reasonable.
2. They must not be oppressive.
3. They must not be discriminating or partial.
4. They must not unduly restrain lawful trade.
5. They must not violate civil rights.
6. They must not be ambiguous.
7. An ordinance must contain only one general subject, clearly stated in its title. A.C.A. § 14-55-201.

The passage of an ordinance typically involves three (3) steps. The first step is the introduction of the proposed ordinance at a council meeting. The second step is to allow for the city clerk's, recorder's or attorney's reading of the ordinance; this is followed by allowing the person(s) proposing the ordinance the opportunity to explain its provisions. Third, the council debates the ordinance and either defeats, postpones, refers it to a committee for study or approves it. If approved by a majority vote of the council, it is then signed by the mayor and attested to by the city clerk. A.C.A. § 14-55-201 et seq.

Remember that all ordinances of a general or permanent nature must be read fully and distinctly on three different days, unless two-thirds of the members of the council shall suspend the rule. A.C.A. § 14-55-202. However, “[i]n a city with a population of less than fifteen thousand (15,000) persons in the most recent federal decennial census, if the ordinance under consideration has been submitted to and approved by the electors of the municipality and is being amended, repealed, or otherwise altered by the municipal council, then the ordinance shall be fully and distinctly read on three (3) different days not less than twenty-eight (28) days apart.” A.C.A. § 14-55-202.

If an ordinance is passed with a valid emergency clause, it will take effect immediately. Please note, however, that an emergency clause requires a separate and distinct vote of the council and requires a two-thirds vote of approval by the council. The mayor may not vote on the emergency clause. Ark. Const. art. 5 § 1.

Without the adoption of the emergency clause, municipal ordinances generally become effective 30 to 90 days after their passage, depending on the city ordinance establishing the deadline to file a referendum.
on an ordinance. A.C.A. § 14-55-203. All ordinances of a general or permanent nature and all those
imposing any fine, penalty or forfeiture must be published in a newspaper of general circulation in those
municipalities where a newspaper is published. However, the law provides that in municipalities where no
newspaper is published, written or printed notice posted in five (5) of the most public places (designated
by ordinance or minutes) shall be sufficient publication of any law or ordinance. A.C.A. § 14-55-206.

Additional and more detailed information about resolutions and ordinances may be obtained from the
Handbook, Title 14, Chapter 55, Subchapters 1-7.

Chapter IV

Personnel

Personnel issues continue to have a growing significance in municipal government. Newly-elected officials
would be wise to go slow in their direct involvement into personnel matters. Human resource law affecting
municipal government is heavily litigated and rapidly changing. Many lawsuits defended by the Municipal
Legal Defense Program involve the discipline or discharge of city employees. The advice of your city at-
torney and human resources professional should always be solicited when dealing with personnel matters.
(See the most recent editions of the League's Sample Personnel Handbook for Arkansas Cities and Towns
and Understanding Municipal Personnel Law and Suggestions for Avoiding Lawsuits.)

Personnel Administration

Many Arkansas cities have neither a large-enough workforce nor the financial resources to justify having
a full-time personnel director. The common procedure is to assign personnel operations to one person,
such as the mayor, city recorder or city clerk. Nevertheless, this manual recommends that your city
employ an individual or train a current employee to be thoroughly familiar with all aspects of personnel
administration.

Regardless of the organizational structure a city uses, two (2) common-sense principles apply:

1. The city council must decide the scope of personnel activities that will be conducted as part of the
city's ongoing operations. Then all personnel-related tasks must be assigned to specific persons
within the city organization.

2. All of the city's personnel policies and procedures should be clearly spelled out in writing in easily
understood language and distributed or made readily available to all employees.

Establishing Personnel Policies

All policy matters are decided by the city council, which enacts ordinances setting up the personnel system
and establishing recruitment standards, pay scales, conditions of employment, and other items. The
council also approves the rules by which personnel ordinances are implemented and the procedures for
handling administrative matters. Additionally, the council's budgetary powers give it continuing control
over the number of employees and the general scope of their duties.

The city's personnel policies and practices must conform to federal and state laws. These policies and
procedures must be practicable, which means they need to be carefully considered prior to their adoption.
Any policy or procedure that fails to accomplish its intended purpose in a simple, direct fashion will
multiply, rather than reduce, the city's operating problems.

Assistance in drafting the city's personnel policies and procedural rules should be obtained from an
attorney or other specialist skilled in employee relations and from the person to whom the council has
assigned the responsibility for implementing the policies.
Upon completion of the drafting process, the proposed policies and rules are presented to the city council for consideration, possible amendments, and final approval. Upon enactment, the policies and rules become binding on both the city and its employees.

**The Employee Handbook**

All personnel-related ordinances and regulations should be compiled into a single document, an employee handbook, for distribution to members of the city council and the entire municipal workforce. Each employee should be required to sign a form acknowledging that he or she received the handbook. City employees should follow the handbook and the city council-approved rules and regulations of their individual departments. Administrative rules need not be made a part of the handbook.

In addition to a personnel policy handbook, all municipalities should have written job descriptions for all employees. A written description is evidence of the essential functions and responsibilities of each job. Job descriptions should be reviewed and updated periodically to ensure that all duties and responsibilities of the position are reflected in the job description. (For assistance in drafting an employee handbook see Model Personnel File Folder, Sample Personnel Handbook for Arkansas Cities and Towns and Understanding Municipal Personnel Law and Suggestions for Avoiding Lawsuits.)

**Unions or Professional Associations**

Upon receipt of a written request and signed by a full-time municipal employee who is represented by a union or professional association, the municipality shall withhold membership dues of the union or professional association from the salary of the employee. The municipality shall transmit all dues that are withheld under this section to the union or professional association representing the employee within five (5) days of the end of the pay period. This withholding shall be discontinued only upon receipt of a written notice of cancellation signed by the employee. A.C.A. § 14-58-103.
Chapter V
Budgeting and Finances

The professional management of city finances demands high standards of personal responsibility. As a newly-elected city official it is extremely important that you understand the basics of city finance. One noted political analyst suggests two criteria that constituents traditionally use to evaluate the effectiveness of their local government. What does it provide for them and what does it cost? The document that should answer these questions is your annual budget.

City Budgets
Your city’s annual operating budget should be the principal policy management tool for governing. It should be the mechanism to:
1. Evaluate city services.
2. Measure and compare needs.
3. Set priorities and balance community public service demands against the tax revenues required to furnish them. Therefore, it is important that governing officials participate in the policies and decisions that go into building your municipal budget.

Arkansas Law and Budgeting
- Every city and town must have an annual operating budget approved by its governing body. A.C.A. §14-58-201 through § 14-58-203.
- The mayor must submit a proposed budget to the governing body of the city or town by December 1 of each year. The council shall enact a budget by February 1 each year. The governing body should also enact a temporary budget or spending resolution for January, as all expenditures of city funds must be authorized by an appropriation of funds approved by a majority vote of the council. The budget constitutes such an appropriation.
- The fiscal year of each city and town shall begin January 1 and end at midnight, December 31 of each year. A.C.A. § 14-71-102.
- Deficit spending is generally prohibited. Cities are not allowed to spend more money than they accrue during a year (Ark. Const. Art. 12 Sec. 4). Exceptions to this rule are made for capital improvement and revenue bonds (Ark. Const. amend. 62 and 65); energy efficiency bonds (Ark. Const. amend 89) and for short term (up to five years) financing for certain purchases. Ark. Const. amend. 78 sec. 2.
- All cities and towns must have the financial affairs of the city or town audited annually by a certified public accountant or by the division of the Legislative Audit of the State of Arkansas. A.C.A. § 14-58-101.

Major Revenue Sources Available
Revenue sources may differ from city to city. However, listed below are the major revenue sources available to Arkansas cities:
- City and County Local Sales Taxes—Cities and towns share on a population basis most countywide sales taxes for operating purposes. City voters may authorize city sales taxes and county voters may authorize county sales taxes.
- Ad Valorem General Fund Property Tax—set by the governing body, may not exceed five (5) mills. Ark. Const. art. 12, § 4; A.C.A. § 26-25-102. Cities share one-half of the three (3) mills of county road tax collected on property within the city. A.C.A. § 26-79-104.
- General/Street Fund Turnbacks—this is appropriated from the State Municipal Aid Fund and distributed to cities based on population according to the most recent decennial census.
• **Administration of Justice Funds**—a cost of living adjustment based on the lesser of the average percentage increase in the Consumer Price Index for All Urban Consumers for the two years immediately preceding or the percentage rate of increase in collections of the State Administration of Justice Fund for the two preceding years is applied to district court generated administration of justice funds. A.C.A. §§ 16-10-307 and 308.

• **Franchise Taxes**—Public utility retailers pay a franchise tax to cities for use of public rights of way and streets for the delivery of their services. A.C.A. § 14-200-101.

• **Solid Waste/Sanitation Fees**—Cities may charge a fee for the pick up and disposal of residential, commercial and industrial solid waste. A.C.A. § 8-6-211.

• **Fines and Forfeitures**—Municipal ordinances may be enforced by the imposition of fines, forfeitures and penalties on violators of city ordinances. A.C.A. §§ 14-55-501 through 504.

• **Permit and Inspection Fees**—Cities have the authority to require building permits and safety inspections and to charge accordingly.

• **Parks Department Revenue**—The city may charge fees for participants of city recreation programs and for concession revenues at the city pool, parks, and community center.

• **Occupational Taxes/Privilege License**—The city may charge and collect revenue for the privilege of doing business or carrying on any trade profession or vocation within the city limits, unless the business has a license from another city in the state and does not maintain a place of business in more than one city. A.C.A. § 26-77-102.

**Note**: Fees must be reasonably related to the city or town's cost of providing the service.

**Other Income (Miscellaneous Revenues)**
- Outside fire protection fees
- Sale of equipment or real property
- Animal licenses
- Hotel and motel/Hamburger taxes
- Vehicle licenses
- Interest earned from special accounts

**Purchasing and Bidding**
In all first-class cities with the mayor/council form of government, the mayor or duly authorized representative has the exclusive power and responsibility to make purchases of all city supplies, equipment and materials necessary to conduct the business of the city. The mayor has the authority to enter into contracts for work or labor on behalf of the city. However, all such expenditures must be authorized by the budget or an appropriation of funds passed by a majority of the council. A.C.A. §§ 14-55-204; 14-58-203. In addition, the mayor of a first class city must not expend funds in excess of the amount established by the council pursuant to A.C.A. § 14-58-305, in the absence of council approval.

- The governing body shall set out the procedure for all purchases that do not exceed $20,000. This can be done by bid or reverse Internet auction. The details for these purchase procedures should be described in each city's purchasing ordinance. A.C.A. § 14-58-303.

- When a purchase exceeds $20,000 the mayor of a first class city or duly authorized representative should advertise in the local newspaper for competitive bids.

- Bids must be opened on the date and at the exact time and place described in the bid notice published in the newspaper.

- The mayor or duly authorized representative has the exclusive power to award the bid to the lowest responsible bidder.
• In emergency situations where the bidding procedure may not be feasible or practical the governing body by ordinance may waive the requirements of competitive bidding. A.C.A. § 14-58-303.
• Bids may be taken in writing or through electronic media. A.C.A. § 14-58-303.

Awarding bids can be controversial. The bidding process is usually highly competitive. Pressure can be exerted on all municipal officials. One of the best ways to avoid controversy is to carefully prepare bid specifications.

Careful bid specification will also increase your chances of getting what you want and within your budget. If you need specific options, accessories or particulars, state them clearly in the bid specification. Under no circumstances should the bids be opened prior to -- or reviewed or discussed until after -- the official bid opening. If provided in the specifications, the city may reject any and all bids.

Cities of the second class and incorporated towns have no requirement for bidding for these kinds of purchases, although a city could pass an ordinance to require it.

Here is an exception to the rule: Cities of the first class, second class and incorporated towns must take bids for any public improvements, which include the major repair or alteration or the erection of buildings or other structures or other permanent improvements, exceeding $35,000 in costs. The law is found at A.C.A. § 22-9-203, which also contains the procedure for taking bids for contracts for public improvements that exceed $35,000. In order to receive electric media bids under § 22-9-203 a municipality must follow the newly enacted procedure contained in Act 1075 of 2019, which include posting notice online and in the local paper simultaneously.

Please note that A.C.A. § 22-9-203, unlike section 14-58-303, does not contain a provision for the waiving of bids.

Professional Services
Competitive bids are not allowed when cities seek certain professional services. Professional services are defined as contracts for legal, financial advisory, architectural, engineering services, construction management, and land surveying. A.C.A. § 19-11-802. Cities that need professional services should advertise for RFPs (Request for Proposals) or RFQs (Request for Qualifications). The RFP/RFQ should be evaluated considering the qualifications and reputation of each professional firm. Many cities will ask a professional service representative to make an oral presentation to the entire city council prior to its making a selection.

Next, the city selects three qualified firms and then selects the most qualified. A.C.A. § 19-11-804. Once a qualified professional firm has been selected, the city may then negotiate a contract for the desired professional service. If a mutually-agreeable contract cannot be negotiated with the first, most qualified firm, then the city may attempt to negotiate an agreement with the second and then the third firms on the list. A.C.A. § 19-11-805.
Chapter VI
The Freedom of Information Act

The Arkansas Freedom of Information Act (FOIA) (A.C.A. §§ 25-19-101 – 25-19-107), is a law with which all municipal officials should become familiar. Municipal officials who negligently violate the FOIA Act may be found guilty of Class C misdemeanor. In addition, citizens may sue for violations of the Act and, if successful, recover their attorneys' fees.

The primary categories of attention for municipal officials should be:

- Public Records
- Open Meetings
- Executive Sessions

Public Records

“Public Records” are documents that are actually kept or are required by law to be kept and maintained and which record the performance, or lack thereof, of official functions. A.C.A. § 25-19-103. These include the minutes from city council, planning and zoning, civil service, water and sewer, parks and recreation and any other meetings of a committee or commission established by ordinance or appointed by the mayor or city council. In addition, any public record, unless exempted by law, is subject to FOIA. Any citizen of the State of Arkansas may “inspect, copy, or receive copies of public records.” A.C.A. § 25-19-105. Citizens do not have to state a reason or purpose in order to inspect city records.

However, a request to inspect the records should be directed to the “custodian of the records” (usually the city clerk or recorder, though this will depend on the type of record requested). The request does not have to be in writing. However, it is a wise practice to ask (but not require) that anyone requesting to see or copy city records make the request in writing. This will help protect the city and its officials in case a dispute arises over what was requested. If copies of public records are requested and if it is the policy of the city to charge a fee for copies, then the city may charge the actual costs of reproduction, but may not charge for the time of existing employees.

Open Meetings

All meetings of municipal governing bodies are required to be open to the public. A.C.A. § 25-19-106. Because meetings “shall be public,” any person may attend. A quorum of the governing body need not be present for the meeting to be subject to FOIA. For regular city council or other regular city meetings (water and sewer, planning and zoning, parks and recreation and others), notice must be furnished to anyone who requests that information. For emergency or special called meetings, at least two hours’ notice must be provide to any news media which have requested to be notified of emergency or special meetings.
Executive Session
The only time the city council may meet and exclude the media and the public is in executive session. Executive sessions are permitted only for the purpose of considering employment, promotion, demotion, disciplinary action or resignation of any public officer or employee. In addition, an executive session is authorized for the discussion of public water system security measures in accordance with A.C.A. §§ 25-19-105(b)(18) and 25-19-106(c)(6).

Actions discussed in executive session become legal only after the city council (or other governing body) ratifies the action with a public vote in open session. Meetings for the purpose of executive session still must be announced publicly. For example, “We are going into executive session to discuss the discipline of an employee.” You do not have to state the employee’s name publicly, however.

Unless the city attorney is being considered for employment, appointment, promotion, demotion or disciplinary action, then he/she may not meet in executive session with the mayor and city council. Likewise the city clerk, city recorder, or town recorder should not be in executive session.

This has been a very brief discussion of a very complicated law. For further information, please refer to the Arkansas Freedom of Information Handbook available from the League at (501) 374-3484, or online at arkansasag.gov/media-center/foia/.

Chapter VII
Functions of the Arkansas Municipal League

Purpose
The Arkansas Municipal League, established in 1934, is an agency of the municipalities of Arkansas. The League has a voluntary membership and was created to assist cities with information, services, and representation in the public affairs of our state and nation.

Organization
The Executive Committee is the governing body of the Municipal League. It is composed of 30 members, six officers elected at the annual League convention and 24 additional members appointed by the president. Chosen by the Executive Committee, the executive director is responsible for administering the League’s policies and programs. He selects his staff, and together they work to provide Arkansas municipalities the best in League services.

League Activities
- Annual Conventions—Each year the League sponsors a convention and a conference for officials from across the state. These officials gather to discuss mutual problems, discover new techniques and learn of new developments in local government. Outstanding speakers address officials on subjects of municipal concern. Many legislative issues are discussed at the convention, and the Municipal Policy Statement for the forthcoming year is adopted at the annual business meeting. Of course, no successful convention is all work. The convention delegates and their spouses enjoy the special activities provided for them.
- Other League Meetings—As the need arises, the League conducts training meetings. These special meetings assist municipal officials with current issues affecting them.
League Services

- Ordinance and Code Services—The ordinance and code services have become an important function of the League. Officials can request sample ordinances relative to almost any subject of municipal concern. The League also provides codification of city ordinances. Codification arranges your city ordinances into a subject-matter format.
- Inquiry Service—All League staff members are available for assisting local officials with problems confronting their municipalities. Frequent questions concerning procedures for new officials and various League programs are answered by telephone, referrals, memorandums, and surveys. Officials seeking information may also visit League headquarters to consult directly with staff members. League staff members also attend council meetings throughout the state, on request, as time permits.
- Planning Services—Group seminars and individual consultation are available to League members on various municipal planning projects.
- Cable Television Franchise Management Service—This service offers a cable television franchise management through Local Government Services or LGS. The goals of the program are to ensure that local governments have access to the expertise required to negotiate for the benefits and services needed in our communities on reasonable terms and conditions.
- Grants Service—A grant locator service is provided for municipalities to simplify the process of locating and obtaining grants. The League has partnered with The Grant Book Company to provide this service for its members through Grant Search Central, the website for The Grant Book Company. Grant Search Central provides up-to-date information about the availability and requirements for literally hundreds of types of government and non-profit grants. The League has partnered with Legacy Consulting to provide members with assessment and evaluation services, the development of a community blueprint and assistance in grant procurement methods. Specific training in garnering needed funds for individual projects, as well as various tools monitoring and evaluating the grant process are available as well.
- IT Services—The League’s “IT in a Box” provides cities with state-of-the-art information technology tools supported by experienced, highly skilled IT professionals. From backing up data to modernizing your website, we know it’s tough for cities to invest in the right technology and hire the best professional expertise to guide them along. But those investments need to happen. Otherwise, your city operations are at risk. With IT in a Box, members receive a modern, user-friendly city website, data backup, and offsite storage to protect your information from a disaster; document protection and easy document retrieval for open records requests; a modern, business-grade email system; 24/7 helpdesk; vendor management; and full management of your servers, desktops, and mobile devices.
- Loss Control/Emergency Response Program—The Loss Control/Emergency Response Program provides members with individual loss control assistance and assistance in establishing an emergency preparedness plan. The Loss Control portion of the program offers safety inspections and on-site consultation for Workers’ Compensation, Vehicle program, and Property Program participants. In addition, the Loss Control program offers safety-training in various categories such as: personal protective equipment, trench safety, confined space safety, bloodborne pathogens, safety awareness, back safety, and lockout/tagout programs. These programs are taught on location in your municipality. The emergency response portion of the program provides cities with information on how to be prepared for emergencies such as bomb threats, cyber-terrorism, tornadoes, and chemical and biological threats. The League also offers a Loss Control Video Library to our members.
- Voluntary Certification Program for Municipal Officials—To increase municipal officials’ basic knowledge of local governance, the League has developed an annual curriculum of core courses and continuing education courses. The core courses, offered at League headquarters, cover municipal basics, such as budget preparation and personnel matters. Continuing education topics vary and are offered at the annual Convention and at the annual Winter Conference. City and town officials who
complete 21 hours of classes in a calendar year (15 hours of core courses and six hours of continuing education) achieve the designation of Certified Municipal Official. To maintain certification, officials must complete six hours of continuing education in subsequent calendar years. Municipal officials eligible for the Voluntary Certification Program include mayors, city managers, city administrators, city directors, councilmembers, city clerks, recorders, and treasurers. For those city officials who have completed the 21 hours of core curriculum, officials must annually obtain 6 hours of continuing education to maintain certification status.

Publications and other League Resources
To act as a clearinghouse of information for the cities and towns of Arkansas was one of the original guiding principles of the Arkansas Municipal League, and providing updated and timely information remains a vital part of the League's member services. As such, the League maintains a library of publications covering an array of topics important to cities, from guidance on compliance with the Americans with Disabilities Act, to municipal accounting procedures, to an overview of Arkansas's tort immunity statutes. Most of these publications are available for free in print and are also downloadable from the “Publications” page on League's website, www.arml.org.

City & Town is the official magazine of the Arkansas Municipal League. It has a print readership of nearly 7,000 and is published 12 times a year. It contains features, columns, and other articles of interest to municipal officials. It is also available to read online at www.arml.org/services/publications/city-town.

During each session of the Arkansas General Assembly, members of the League staff analyze the proposed measures that affect the state's municipalities. The Legislative Bulletin at www.arml.org is updated daily during sessions and enables city and town leaders to advise their representatives at the state capitol of the local impact of various proposals.

The Handbook for Arkansas Municipal Officials is updated and published every other year after the regular session of the General Assembly. It includes laws that affect Arkansas municipalities and has become an important source of information on which city and town officials depend for guidance.

The Directory of Municipal Officials is another important resource published by the League. It contains a list of League member cities, their officials, city addresses, telephone and fax numbers, emails, and websites. City classification and the county in which the city is located are also included. The League now offers the Directory of Municipal Officials as a searchable PDF. Both the print version and the PDF are available at www.arml.org/store.
Group Benefits Programs
The Arkansas Municipal League provides the officials and employees of Arkansas cities and towns with group programs such as the Municipal Health Benefit Fund and the Municipal Officials Accidental Death and Dismemberment Plan. The Municipal Vehicle Program provides low-cost vehicle coverage to member cities and towns.

The Municipal League Workers’ Compensation Trust protects municipal workers in more than 480 cities and towns. The League’s Volunteer Firefighter Accident Income Protection Plan is a popular League Program available to cities and towns participating in the Workers’ Compensation Trust. The Municipal Property Program was established in 1985.

The Municipal Legal Defense Program is another service for League members. A steering committee governs the plan with the executive director and his staff administering the program. Participating municipalities contribute annually amounts based primarily on their population. Through this program, municipalities, municipal officials, and employees are provided protection against lawsuits involving their assets. Cities and towns in this program can also participate in the League’s drug testing programs. Cities and towns in the Legal Defense Program may request written and oral legal opinions on municipal law.

The Municipal League Cash/Pension Management Trust is an optional program whereby Arkansas municipalities can place excess cash funds or pension investments in a safe and competitive account that provides excellent liquidity. Participant municipalities join together to invest moneys not currently needed to enhance their investment opportunities and increase investment earnings. In most cases invested funds will be available for withdrawal within 24 hours.

Conclusion
The Arkansas Municipal League serves member cities and towns and addresses their current and future needs. The League has been and will continue to be at the forefront of municipal progress and problem solving as long as Arkansas’s municipal officials remain active and maintain it as a viable organization. When the League staff can be of service, please call.