City of Fort Smith ARKANSAS



INTERIM FINANCIAL REPORT

(Unaudited)

Operating Funds

September 30, 2026

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Statements of Working Capital - Enterprise Operating Funds

September 30, 2026

	Water & Sewer Operating Fund	Solid Waste Operating Fund
Current Assets		
Pooled Cash and Investments	$25,004,878	$11,183,982
Receivables, net	8,456,348	4,434,380
Inventories	2,113,272	119,614
Total Current Assets	**35,574,498**	**15,737,976**
Current Liabilities		
Accounts payable and accrued liabilities	845,949	153,220
Working Capital	**$34,728,549**	**$15,584,756**

Memo

To: Budget Memo

From: Jeff Dingman, City Administrator

cc: Andy Richards, Chief Financial Officer

Date: 11/12/2026

Re: City of Fort Smith FY2027 Budget Objectives/Highlights

The following are budget objectives/highlights included in the current version of the FY2027 proposed budget:

1. Maintained the objective of balancing the operating budgets in each of the city's four operating funds. Original proposed operating line items were reviewed with city departments in August/September where projected 2026 expenses were fine-tuned and 2027 budget requests validated or adjusted. All departments were sensitive to the continued objective of achieving balanced operating budgets in all four funds.

2. Intentionally focused on salary adjustments for all city employees. An average of 5% for Police uniformed personnel and an average of 2-4% market salary range adjustment for non-uniformed personnel. The Fire Department pay increase was originally included at an average 6.7% increase but has been adjusted to 13.7% by specific directive of the Board. That specific directive included an effective date of January 1, 2027. Funding for all salary adjustments for uniformed and non-uniformed personnel is included in the budget based on a January 1 effective date. An ordinance specific to police and non-uniformed personnel effective dates will be presented for consideration along with the budget ordinance.

3. Restoration of 1% retirement contribution for non-uniformed city employees. This benefit from 1997 through 2015 was a 10% of salary retirement contribution for every non-uniformed employee. It was reduced to a 5% contribution in 2016 due to LOPFI obligations of the General Fund, and then it was adjusted to a 7% contribution in 2024. The proposed budget includes funding to make an 8% retirement contribution for non-uniformed employees.

4. Employee Health insurance. The cost of employee health insurance is increased by 16% from the previous year, both for the city's contribution and for the employee contribution.

5. Property Insurance. Overall property insurance premiums increased 12.06% from the previous year city-wide, mostly due to site inspections and increased valuations associated with the city's covered properties & assets.

6. Sales and Use Tax revenues, both the projected 2026 numbers and the budgeted 2027 numbers, continue to get reviewed and adjusted as we receive updated distributions. The city's General Fund benefits directly from the county-wide 1% sales tax. We've projected a 3% increase in sales tax proceeds for 2027, which we think is reasonable and aligned with past performance without being artificially aggressive.

7. Ad Valorem Tax revenues. We included a 8.9% projected increase for 2026 revenues and an additional 7.3% increase in projected 2027 revenues due to the continued implementation of the revised appraisal schedule. The recent reappraisal of city properties indicated significant valuation increases, although actual tax increases are capped at 5% per year for any single property. The incremental increase in property taxes results in additional general fund revenue. We have validated our projections with the Assessor's office.

8. Transfer to the LOPFI fund was reduced from $1.6 million to $1.3 million, both for 2026 and 2027. This is possible due to increased property tax collections that go to the city's obligations to LOPFI, requiring less contribution from the General Fund.

9. Reduction of $50,000 in the city clerk's budget that was inadvertently included for a special election.

10. Reduced program expenses in the Mayor's budget, including special events programming and the 4th of July celebration.

11. Eliminated the vacant Executive Assistant the Mayor position, consolidating most duties with the City Administrator Executive Assistant and other duties with Communications and the Grants/Government Relations Coordinator.

12. Updated city administration personnel line items to reflect actual allocations to existing personnel reduced the budget number by$44,000. Further, we have removed the vacant Deputy City Administrator – Operations position, along with associated salary, compensation and benefits. This results in overall cost-allocated savings of $188,959.

13. Inclusion of $200,000 for the animal spay/neuter voucher program to continue in 2027. Increased the Solid Waste Fund's transfer to the General Fund to offset that expense. The Solid Waste Fund transfer was increased by 20% in this proposed budget to offset potential 20% increase in the proposed FSAH shelter services agreement, which of course needs approval from the Board.

14. Main Street Fort Smith and Levitt AMP music series funding were included in program 4102 in the distributed budget. Those expenses have been moved to General Fund Non-Departmental so that they are 100% allocated as a general fund expense. We made this adjustment in 2026 but didn't carry it into the 2027 budget until later in the process.

15. The transfer out of $125,000 from the General Fund to the Cleanup/Demo fund has been removed and offset by increasing the Solid Waste Fund transfer to the Cleanup/Demo fund by that amount.

16. Transfer to RVCC. The city did not carry operating costs for the consolidated dispatch center in 2026, knowing that we would have to in 2027. The State 911 Fund provides operating funding for E911 services that partially covers the operating cost. The ILA between the city & Sebastian County (Dec.2024) specifies that cost obligations over and above what the State 911 turnback can provide is to be split on a 70%/30% basis. The city's contribution for 2027 was budgeted at $1,715,556, but working through the proposed budget this has been reduced to $1,603,460, resulting in savings in operating costs to the General Fund. The county will also make a general fund contribution, which they will send to the city. The city now manages all of the E911 funds from the state, whereas prior to 2024 this was managed by the county.

17. Adjustments to how we're accounting for the solar array payments and the offsetting energy usage credits. Reduces operating expenditures in all four operating funds.

18. $100,000 operating expense line item added for Parrot Island Operations. The city has not carried any operating funds in the past, and the new management agreement in the works contemplates some up-front operating cost obligations on the part of the Owner. The county will propose to do the same. These funds will be used as needed, and we know that they will be needed for the first few months of 2027.

19. Fix the deficiencies in the Parking Fund. Potentially sell the parking fund's asset (the parking garage) and apply the sales proceeds to the obligation owed to the General Fund. This action also eliminates operating costs in the Parking Fund going forward.

20. Operating budgets for the city departments continue to be refined and adjusted in order to achieve a proper mix of service delivery and budget efficiency. There potentially is opportunity to evaluate the estimated unspent 2026 operating budget as a means to reduce 2027 proposed budget, and much of this was done during Administrations budget meetings with department heads. Still, the city is projected to underspend the 2026 operating budget by $4 million. Much of that unspent funding is in personnel, but some of it is in operating expense line items. If further operating reductions are needed, reducing any such line items would be the suggested approach.

Budget Comparison Summary - General Fund

	FY25 Actuals	FY26 Original	FY26 Amended	FY26 Projected	FY27 Budget	Increase (Decrease)	FY28 Planned
Revenues							
Intergovernmental	$ 5,491,804	$ 4,516,442	$ 4,653,824	$ 4,326,732	$ 4,563,254	$ 236,522	$ 4,174,123
Taxes and Assessments	42,990,666	43,407,890	43,407,890	44,469,890	46,168,850	1,698,960	46,622,032
Court Fines and Forfeitures	2,195,078	2,076,450	2,076,450	2,238,761	2,237,700	(1,061)	2,237,700
Licenses and Permits	1,331,995	1,639,980	1,639,980	1,562,472	1,553,220	(9,252)	1,553,220
Service Charges and Fees	620,741	582,470	582,470	599,995	575,170	(24,825)	548,170
Contributions	99,064	10,000	15,568	52,868	20,000	(32,868)	20,000
Miscellaneous	1,363,043	888,020	950,310	1,955,472	1,113,660	(841,812)	1,113,660
Transfers	144,000	1,144,000	1,144,000	1,144,000	1,556,000	412,000	1,356,000
Total Revenues	**54,236,390**	**54,265,252**	**54,470,491**	**56,350,190**	**57,787,854**	**1,437,664**	**57,624,905**
Personnel							
Policy and Administration Services	2,025,132	2,157,948	2,150,748	2,034,616	2,186,959	152,343	2,209,201
Management Services	1,675,740	1,866,822	1,866,876	1,829,789	1,939,706	109,917	1,964,547
Development Services	1,761,110	1,988,222	1,988,022	1,769,551	1,983,007	213,456	2,029,435
Police Services	13,967,360	12,664,759	12,664,759	11,915,236	13,574,323	1,659,087	13,902,919
Fire Services	12,203,077	12,163,678	12,163,678	11,180,495	13,010,633	1,830,138	13,565,247
Operation Services	4,414,791	4,767,841	4,767,841	4,298,577	4,913,126	614,549	4,915,978
Non-Departmental	9,937	19,420	19,420	9,420	19,420	10,000	19,420
Total	**36,057,147**	**35,628,690**	**35,621,344**	**33,037,684**	**37,627,174**	**4,589,490**	**38,606,747**
Other Operating							
Policy and Administration Services	894,275	1,343,610	1,320,210	946,568	944,051	(2,517)	1,200,652
Management Services	2,639,595	2,906,310	2,940,586	2,749,950	2,350,573	(399,377)	2,770,222
Development Services	102,059	226,123	227,646	168,264	207,660	39,396	207,452
Police Services	4,983,252	4,852,370	5,114,339	5,294,198	5,417,127	122,929	5,106,293
Fire Services	2,698,074	2,995,250	3,132,381	3,120,463	2,837,955	(282,508)	2,966,104
Operation Services	2,934,693	2,069,713	2,116,625	2,150,975	2,126,299	(24,675)	2,177,757
Non-Departmental	4,968,890	4,235,193	4,405,193	4,775,982	6,006,633	1,230,651	5,019,423
Total	**19,220,839**	**18,628,570**	**19,256,980**	**19,206,401**	**19,890,299**	**683,898**	**19,447,904**
Total Operating Expenditures	**55,277,986**	**54,257,260**	**54,878,324**	**52,244,085**	**57,517,473**	**5,273,388**	**58,054,651**
Operating Excess (Deficiency) Revenues Over Expenditures	**(1,041,595)**	**7,992**	**(407,833)**	**4,106,105**	**270,381**		**(429,746)**
Capital Related Revenues							
Transit Capital	507,526	1,235,200	4,241,919	4,373,019	793,875	(3,579,144)	97,800
Federal Solar Tax Credit - Farmers Market Canopy	-	-	-	-	435,617	435,617	-
Total	**507,526**	**1,235,200**	**4,241,919**	**4,373,019**	**1,229,492**	**(3,143,527)**	**97,800**
Policy and Administration Services	2,247	-	-	-	-	-	-
Management Services	863,401	38,237	869,583	842,353	40,181	(802,172)	-
Development Services	-	40,000	40,000	34,048	-	(34,048)	-
Police Services	1,012,225	-	114,362	-	-	-	-
Fire Services	70,267	605,000	646,721	640,900	-	(640,900)	147,000
Operation Services	748,978	1,806,000	5,877,977	5,835,299	1,041,500	(4,793,799)	195,000
Non-Departmental	5,915,344	-	2,657,849	3,059,087	216,871	(2,842,216)	-
Total Capital Outlay	**8,612,463**	**2,489,237**	**10,206,492**	**10,411,687**	**1,298,552**	**(9,113,135)**	**342,000**
Excess (Deficiency) Revenues Over Expenditures	**(9,146,533)**	**(1,246,045)**	**(6,372,406)**	**(1,932,563)**	**201,321**		**(673,946)**
Fund Balance, Beginning of Year	35,472,067	20,535,904	26,325,534	26,325,534	24,392,970		24,594,292
Fund Balance, End of Year	**$ 26,325,534**	**$ 19,289,859**	**$ 19,953,128**	**$ 24,392,970**	**$ 24,594,292**		**$ 23,920,346**
Contingency Reserve Percent	41.2%	34.0%	30.7%	38.9%	41.8%		41.0%

Budget Comparison Summary - Water and Sewer Operating Fund

	FY25 Actuals	FY26 Original	FY26 Amended	FY26 Projected	FY27 Budget	Increase (Decrease)	FY28 Planned
Revenues							
Water Sales	$ 37,886,243	$ 38,949,098	$ 38,949,098	$ 41,037,655	$ 41,448,032	$ 410,377	$ 41,448,032
Sewer Sales	29,027,202	31,775,118	31,775,118	31,685,426	33,056,512	1,371,086	33,056,512
Services Charges and Fees	1,148,870	739,752	739,752	1,015,690	989,752	(25,937)	989,752
Miscellaneous	1,857,158	771,362	812,731	1,584,947	1,780,344	195,396	1,762,173
Total Revenues	**69,919,473**	**72,235,331**	**72,276,700**	**75,323,718**	**77,274,640**	**1,950,922**	**77,256,469**
Personnel							
Policy and Administration Services	510,187	846,284	827,484	752,323	667,370	(84,954)	677,506
Management Services	2,873,188	3,974,084	3,974,222	3,944,739	4,299,100	354,362	4,357,839
Development Services	274,781	2,705,896	2,702,516	2,609,240	2,789,173	179,934	2,796,163
Operation Services	18,892,040	17,387,306	17,387,336	16,152,831	18,480,893	2,328,062	18,645,589
Non-Departmental	-	-	-	-	-	-	-
Total	**22,550,196**	**24,913,570**	**24,891,559**	**23,459,132**	**26,236,536**	**2,777,404**	**26,477,097**
Other Operating							
Policy and Administration Services	416,853	277,954	216,854	140,797	201,166	60,370	268,812
Management Services	2,909,809	3,280,192	3,353,691	3,072,671	3,026,192	(46,479)	3,448,503
Development Services	32,610	216,049	388,817	173,631	327,446	153,815	292,850
Operation Services	35,341,861	40,551,421	41,259,484	40,766,594	41,120,609	354,015	42,315,319
Non-Departmental	100,000	100,000	100,000	100,000	100,000	-	100,000
Total	**38,801,133**	**44,425,617**	**45,318,845**	**44,253,693**	**44,775,413**	**521,720**	**46,425,485**
Total Operating Expenditures	**61,351,329**	**69,339,187**	**70,210,404**	**67,712,825**	**71,011,949**	**3,299,124**	**72,902,581**
Operating Excess (Deficiency)							
Revenues Over Expenditures	**8,568,144**	**2,896,144**	**2,066,295**	**7,610,893**	**6,262,691**		**4,353,888**
Capital Outlay							
Policy and Administration Services	5,868	-	-	-	-	-	-
Management Services	111,383	95,357	145,908	116,492	92,086	(24,405)	-
Development Services	-	44,850	48,240	48,240	30,250	(17,990)	-
Operation Services	732,567	1,971,535	1,972,207	1,608,894	7,876,347	6,267,453	1,200,000
Non-Departmental	-	-	-	-	-	-	-
Total Capital Outlay	**849,817**	**2,111,742**	**2,166,354**	**1,773,626**	**7,998,683**	**6,225,057**	**1,200,000**
Excess (Deficiency)							
Revenues Over Expenditures	**7,718,326**	**784,403**	**(100,059)**	**5,837,267**	**(1,735,992)**		**3,153,888**
Working Capital, Beginning of Year	22,549,917	25,981,968	30,268,243	30,268,243	36,105,510		34,369,518
Working Capital, End of Year	**$ 30,268,243**	**$ 26,766,371**	**$ 30,168,184**	**$ 36,105,510**	**$ 34,369,518**		**$ 37,523,406**
Contingency Reserve Percent	48.7%	37.5%	41.7%	52.0%	43.5%		50.6%