

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2017 Bonds, and the Series 2017 Bonds and interest thereon are exempt from all Arkansas state, county and municipal taxes. In the opinion of Bond Counsel, interest on the Series 2017 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although it is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax. See LEGAL MATTERS, Tax Exemption herein.

**\$17,875,000
CITY OF LITTLE ROCK, ARKANSAS
CAPITAL IMPROVEMENT REFUNDING
REVENUE BONDS
SERIES 2017**

Dated: Date of Delivery

Due: October 1, as described below

The Series 2017 Bonds will not be general obligations of the City of Little Rock, Arkansas (the "City"), but will be special obligations, secured by a pledge of revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City.

Interest on the Series 2017 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2018, and the Series 2017 Bonds mature (on October 1 of each year), bear interest and are priced to yield as follows:

MATURITY SCHEDULE

\$15,000,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate(%)</u>	<u>Yield(%)</u>
2018	\$ 930,000	2.000	1.060	2025	\$1,045,000	5.000	2.120
2019	870,000	3.000	1.190	2026	1,100,000	5.000	2.250
2020	895,000	3.000	1.340	2027	1,155,000	5.000	2.390
2021	925,000	3.000	1.490	2028	1,210,000	4.000	2.580*
2022	950,000	3.000	1.680	2029	1,260,000	4.000	2.700*
2023	980,000	3.000	1.830	2030	1,310,000	4.000	2.800*
2024	1,010,000	4.000	1.970	2031	1,360,000	4.000	2.900*

\$2,875,000 3.000% Term Bonds Due October 1, 2033 to Yield 3.110%

The Series 2017 Bonds of each maturity will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Series 2017 Bonds will be available for purchase in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Series 2017 Bonds will not receive physical delivery of Series 2017 Bonds. Payments of principal of and interest on the Series 2017 Bonds will be made by First Security Bank, Searcy, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2017 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2017 Bonds, all as further described herein.

The Series 2017 Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.

Dated: October 19, 2017.

* Priced to first optional redemption date, October 1, 2027

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2017 Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Series 2017 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Indenture described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

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OFFICIAL STATEMENT

\$17,875,000
CITY OF LITTLE ROCK, ARKANSAS
CAPITAL IMPROVEMENT REFUNDING
REVENUE BONDS
SERIES 2017

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Series 2017 Bonds to potential investors is made only by means of the entire Official Statement, including the cover page hereof. A full review should be made of the entire Official Statement, as well as the Trust Indenture described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Little Rock, Arkansas (the "City") of its Capital Improvement Refunding Revenue Bonds, Series 2017, in the aggregate principal amount of \$17,875,000 (the "Series 2017 Bonds"). The Series 2017 Bonds are being issued to (i) advance refund the City's Capital Improvement Construction Revenue Bonds (Zoo, Parks and Recreation Projects), Series 2009A (the "Series 2009A Bonds") and the City's Capital Improvement Refunding Revenue Bonds (Zoo, Parks and Recreation Projects), Series 2009B (the "Series 2009B Bonds"), (ii) current refund the City's Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") and the City's Capital Improvement Junior Lien Revenue Bonds, Series 2002 (the "Series 2002 Bonds" and, collectively with the Series 2009A Bonds, the Series 2009B Bonds and the Series 2007 Bonds, the "Bonds Refunded"), (iii) pay a premium for a municipal bond debt service reserve insurance policy and (iv) pay expenses of issuing the Series 2017 Bonds. See **THE SERIES 2017 BONDS, Purpose for Series 2017 Bonds**.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State"). The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Series 2017 Bonds are not general obligations of the City, but are special obligations secured solely by a pledge of the revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City pursuant to the authority contained in Title 14, Chapter 200, Subchapters 101 through 112 and Title 23, Chapter 19, Subchapters 201 through 210 of the Arkansas Code of 1987 Annotated or successor statutes (the "Pledged Revenues"). See **THE SERIES 2017 BONDS, Security**.

The Series 2017 Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, and Ordinance No. 21,490, adopted October 2, 2017.

The Series 2017 Bonds are secured by a Trust Indenture dated as of November 15, 2017 (the "Indenture"), between the City and First Security Bank, Searcy, Arkansas, as trustee (the "Trustee"). The Series 2017 Bonds will be secured by Pledged Revenues. The Indenture permits the issuance of Additional Bonds and Parity Obligations (both terms are defined below under **THE SERIES 2017 BONDS, Security**) secured by a pledge of Pledged Revenues on a parity of security with the Series 2017 Bonds. The Indenture establishes the terms and conditions upon which the Series 2017 Bonds are issued. Specific covenants concerning the maintenance of Pledged Revenues are described under **THE SERIES 2017 BONDS, Security** herein.

The Series 2017 Bonds will be initially issued in book-entry form and purchasers of Series 2017 Bonds will not receive certificates representing their interest in the Series 2017 Bonds purchased. See **THE SERIES 2017 BONDS, Book-Entry Only System**. The Series 2017 Bonds will contain such other terms and provisions as described herein. See **THE SERIES 2017 BONDS, Generally**.

The Series 2017 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or integral multiple thereof. Interest is payable April 1, 2018, and semiannually thereafter on each April 1 and October 1. Payment of principal of the Series 2017 Bonds will be made to the owners of the Series 2017 Bonds at the principal office of the Trustee, and payment of interest on Series 2017 Bonds shall be by check of the Trustee to the registered owner as shown on the Bond registration book of the City maintained by the Trustee. The record date for payment of interest on the Series 2017 Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. See **THE SERIES 2017 BONDS**.

The Series 2017 Bonds are subject to optional redemption on and after October 1, 2027. The Series 2017 Bonds maturing on October 1, 2033, are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE SERIES 2017 BONDS, Redemption**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2017 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (iii) with respect to corporations, interest on the Series 2017 Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax, and (iv) the Series 2017 Bonds and interest thereon are exempt from all State, county and municipal taxes. See **LEGAL MATTERS, Tax Exemption**.

It is expected that the Series 2017 Bonds will be available for delivery on or about November 15, 2017, through the facilities of the Depository Trust Company, in New York, New York.

The City and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Indenture and the Continuing Disclosure Agreement summarized herein are available upon request from Stephens Inc., 111 Center Street, Suite 2300, Little Rock, Arkansas 72201, Attention: Public Finance.

THE SERIES 2017 BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate for each maturity will be issued in the principal amount of the maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct

Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent only to Cede & Co. If fewer than all of the Series 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017 Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriter nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Series 2017 Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Series 2017 Bonds for all purposes under the Indenture, including receipt of all principal of and interest on the Series 2017 Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Indenture. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Series 2017 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Series 2017 Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Series 2017 Bonds.

Generally. The Series 2017 Bonds shall be dated, mature and bear interest and interest is payable on the Series 2017 Bonds as set forth on the cover page hereof. The Series 2017 Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Indenture. In the event any Series 2017 Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Series 2017 Bond in accordance with the provisions therefor in the Indenture.

Each Series 2017 Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Series 2017 Bond or Series 2017 Bonds of the same maturity, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Series 2017 Bond for the privilege of registration, but any owner of any Series 2017 Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Series 2017 Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Series 2017 Bonds selected for redemption in whole or in part.

The person in whose name any Series 2017 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Series 2017 Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2017 Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Series 2017 Bonds or the date fixed for redemption of any Series 2017 Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Series 2017 Bonds shall be subject to optional and mandatory sinking fund redemption prior to maturity as follows:

Optional Redemption. The Series 2017 Bonds are subject to redemption on and after October 1, 2027, at the option of the City, from funds from any source, in whole or in part at any time, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. If fewer than all of the Series 2017 Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2017 Bonds of any one maturity shall be called for redemption, the particular Series 2017 Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2017 Bonds maturing on October 1, 2033, are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

Series 2017 Bonds Maturing October 1, 2033

<u>Year</u>	<u>Principal Amount</u>
2032	\$1,415,000
2033 (maturity)	1,460,000

The Trustee shall give notice of the call for redemption by first class mail placed in the mails, postage prepaid, or other acceptable standard means of delivery, including facsimile or electronic communications, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owner or any Series 2017 Bond called for redemption, addressed to such registered owner's registered address. After the date specified in such call, the Series 2017 Bonds or portions thereof (which must be integral multiples of \$5,000) so called will cease to bear interest provided funds for their payment have been deposited with the Trustee.

Notwithstanding the above, so long as the Series 2017 Bonds are issued in book-entry only form, if fewer than all the Series 2017 Bonds of an issue are called for redemption, the particular Series 2017 Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Series 2017 Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. The Trustee will not give any notice of redemption to the Beneficial Owners of the Series 2017 Bonds.

Purpose for Series 2017 Bonds. The Series 2017 Bonds are being issued (i) to advance refund the Series 2009A Bonds and the Series 2009B Bonds, (ii) to current refund the Series 2007 Bonds and the Series 2002 Bonds, (iii) to pay a premium for a municipal bond debt service reserve insurance policy, and (iv) to pay expenses of issuing the Bonds.

A portion of the Series 2017 Bond proceeds and other available funds will be used to redeem the Series 2007 Bonds and the Series 2002 Bonds on the date the Series 2017 Bonds are issued or the earliest practical date thereafter, at a price of par plus accrued interest. A portion of the Series 2017 Bond proceeds and other available funds will be held by the trustee for the Series 2009A Bonds and the Series 2009B Bonds and invested in United States Treasury Obligations, which will mature and bear interest at such times and in such amounts as will, together with uninvested cash, provide a cash flow sufficient (i) to pay interest on the Series 2009A Bonds and the Series 2009B Bonds as due through January 1, 2019, (ii) to pay principal of the Series 2009A Bonds and the Series 2009B Bonds due January 1, 2018 and January 1, 2019, and (iii) to redeem the Series 2009A Bonds and the Series 2009B Bonds maturing on and after January 1, 2020 on January 1, 2019.

The sources and uses of funds to accomplish the refunding of the Bonds Refunded are estimated by the City as follows:

SOURCES:

Principal Amount of Series 2017 Bonds	\$17,875,000
Existing Funds of the City for Bonds Refunded	1,816,589
Net Original Issue Premium	<u>1,620,588</u>

TOTAL SOURCES \$21,312,177

USES:

Refunding Costs	\$21,007,022
Underwriter's Discount	160,875
Costs of Issuance and Debt Service Reserve	
Policy Premium	<u>144,280</u>

TOTAL USES \$21,312,177

The payment of Underwriter's discount, debt service reserve insurance policy premium and the costs of issuing the Series 2017 Bonds relating to the payment of professional fees will be contingent on the Series 2017 Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount.

Security. The Series 2017 Bonds are not general obligations of the City but are special obligations, secured by a pledge of all "Pledged Revenues," which are defined to be all revenues derived by the City from all franchise fees collected from public utilities for the privilege of using the streets, highways and other public places in the City, pursuant to the authority contained in Title 14, Chapter 200, Subchapters 101 through 112 and Title 23, Chapter 19, Subchapters 201 through 210 of the Arkansas Code of 1987 Annotated.

The Series 2017 Bonds will be secured by and entitled to the protection of the Indenture. (See **SUMMARY OF THE INDENTURE** herein.)

The City agrees to continuously charge franchise fees to all public utilities occupying the streets, highways and other public places under Arkansas Code Annotated §§14-200-101-112 and §23-19-201-210, or successor statutes, while the Series 2017 Bonds are outstanding.

The franchise fees currently collected from the public utilities are sufficient to pay the principal of and interest on the Series 2017 Bonds when due, and the City agrees that the percentage rate of each franchise fee currently collected by the City from public utilities will not be increased solely for the purpose of providing funds to pay the principal of and interest on the Series 2017 Bonds when due.

The franchise fees currently charged to public utilities shall never be reduced while the Series 2017 Bonds are outstanding unless the City receives an opinion of a certified public accountant not in the regular employ of the City ("Accountant") to the effect that Pledged Revenues for the preceding fiscal year, assuming such reduction had been in effect for the entire year, would have equaled not less than 125% of the maximum annual debt service on all outstanding Bonds, Parity Obligations (as defined herein) and Subordinate Obligations (as defined herein).

The City has reserved the right to pledge Pledged Revenues to additional bonds issued under the Indenture on a parity with the pledge in favor of the Series 2017 Bonds ("Additional Bonds") upon meeting certain conditions relating to the amount of Pledged Revenues available to pay the Series 2017 Bonds and the Additional Bonds. The City may issue bonds or other obligations other than under the Indenture and secured by a pledge of Pledged Revenues. Such obligations may be issued on a parity with bonds issued under the Indenture, including the Series 2017 Bonds, subject to meeting the requirements necessary to issue Additional Bonds ("Parity Obligations"). Otherwise any other obligations secured by a pledge of Pledged Revenues shall be subordinate obligations subject and subordinate to all bonds then outstanding or thereafter issued under the Indenture and to outstanding Parity Obligations ("Subordinate Obligations"). (See **SUMMARY OF THE INDENTURE, Additional Bonds**, herein.)

Debt Service Reserve. A debt service reserve account has been established for the Series 2017 Bonds and will be funded with a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by Municipal Assurance Corp. (the "Reserve Insurer"). The face amount of the Reserve Policy will be an amount equal to one-half of the maximum annual principal and interest requirement on the Series 2017 Bonds (the "Required Level"). The debt service reserve account will only secure the Series 2017 Bonds.

THE CITY AND THE COUNTY

General. The City is organized under the laws of the State of Arkansas as a city of the first class. It is the capital of the State and was chartered in 1835.

The City is the largest city in Arkansas as well as the governmental, economic, cultural and financial center of the State. It is nearly equidistant from the four corners of the State and is the county seat of Pulaski County (the "County"). Within a radius of 500 miles from the City are located 24 metropolitan areas and substantial portions of 17 states containing more than one third of the nation's population. Major cities near the City include St. Louis, 360 miles northeast; Kansas City, 400 miles northwest; Atlanta, 520 miles east; New Orleans, 440 miles south; Oklahoma City, 350 miles northwest; Dallas, 310 miles southwest; and Memphis, 135 miles northeast.

The City is served by U.S. Interstates 30 and 40, U.S. Highways 65, 67, 70 and 167, and State Highways 10, 338, 365 and 367. Union Pacific Railroad Company and Amtrak provide railroad service to the City. The Bill and Hillary Clinton National Airport is owned by the City of Little Rock and operated by the Little Rock Municipal Airport Commission, and is served by American Airlines, Delta Airlines, Southwest Airlines, United Airlines, Allegiant Air, and Frontier Airlines.

Government. The City operates under the City Manager/City Board form of municipal government. It has an 11-member Board of Directors, including a directly elected Mayor, with seven Directors elected from wards and three Directors elected city-wide. The Mayor's position is a city-wide elected position and must be elected by at least 40% of the votes cast. If no candidate for Mayor receives 40% or more of the votes cast, the two candidates receiving the most votes will face each other in a run-off election. All Directors and the Mayor serve four-year terms.

At a special election held August 14, 2007, the voters of the City approved two measures which granted to the Mayor greater powers including granting the Mayor veto power over measures adopted by the Board of Directors, subject to override by the Board, the authority to hire and fire the City Manager and City Attorney, subject to Board approval, to fill vacancies on municipal boards and commissions, subject to Board approval, and to prepare the annual budget with the City Manager, subject to Board approval.

The current members of the City of Little Rock Board of Directors are as follows:

<u>Name</u>	<u>Term Expires</u>	<u>Principal Occupation</u>
Mark Stodola, Mayor	December 31, 2018	Mayor, City of Little Rock
Kathy Webb, Vice Mayor	December 31, 2020	Executive Director, Arkansas Hunger Relief Alliance
Lance Hines	December 31, 2018	Transportation Consultant/Outside Sales with Priority 1, Inc.
Dean Kumpuris	December 31, 2020	Physician
Gene Fortson	December 31, 2020	Businessman
Ken Richardson	December 31, 2018	Community Activist for Disadvantaged Youth
Capi Peck	December 31, 2020	Restaurateur
B.J. (Brenda) Wyrick	December 31, 2018	State of Arkansas; Enterprise Services Network Division of the Arkansas Department of Information Services
Joan Adcock	December 31, 2020	Community Activist
Erma Hendrix	December 31, 2018	Retired Psychiatric Nurse
Doris Wright	December 31, 2018	Community Activist for West Central Little Rock

The principal executive officers of the City are:

<u>Office</u>	<u>Name</u>
City Manager	Bruce Moore
Assistant City Manager	James Jones
Director of Finance	Sara Lenehan
City Attorney	Thomas M. Carpenter

The City Manager and the City Attorney are appointed by the Board of Directors; the Director of Finance and Assistant City Manager are employed by the City Manager.

The City provides a broad range of municipal services under the auspices of the City Manager, including: Police, Fire, Parks and Recreation, Finance, City Clerk, Personnel, Housing and Neighborhood Programs, Planning and Development, Streets, Solid Waste and Landfill, Zoo, Fleet Services and Information Technology. Boards and commissions have primary responsibility for the operation of the City's Airport, Water Reclamation Authority (formerly the Wastewater Utility), and Emergency Medical Service. The water utilities of the City have been conveyed for operation by a joint board known as Central Arkansas Water consisting of the former Little Rock and North Little Rock Water Utilities.

Employees. The City operates a full service Human Resources Department under the leadership of Stacey Witherell, Human Resources Department Director. City workers are represented by a number of trade unions. The primary ones are the American Federation of State, County and Municipal Employees, representing blue-collar employees; the Fraternal Order of Police, representing police officers; and the International Association of Fire Fighters, representing fire department employees.

As of December 31, 2016 the City employment was as follows:

<u>City Government</u>	<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>
AFSCME	385	385	0
IAFF	398	398	0
FOP	480	480	0
Non-union	<u>1,212</u>	<u>667</u>	<u>545</u>
	2,475	1,930	545
 <u>Commissions</u>			
Water Reclamation Authority	212	212	0
Bill & Hillary Clinton National Airport	160	158	2
LR Convention & Visitors Bureau	185	117	68
Port Authority	8	8	0
Metropolitan Emergency Medical Services	327	300	27
Rock Region Metro	198	194	4
Arkansas Museum of Discovery	41	25	16
Arkansas Arts Center	109	58	51
Central Arkansas Library	<u>295</u>	<u>207</u>	<u>88*</u>
	<u>1,535</u>	<u>1,279</u>	<u>256</u>
Total Employment	4,010	3,209	801

*Includes 46 temporary

Bill and Hillary Clinton National Airport. Bill and Hillary Clinton National Airport is located within the city limits of Little Rock and is three miles from downtown. It is served by six airlines. It has three runways and twelve gates (eleven with jetways). In 2016, 1,991,504 passengers traveled through this facility. A total 794,992 passengers had traveled through this facility as of May 2017.

Source: Bill and Hillary Clinton National Airport Website: Fly-LIT.com - Activity Report.

Port of Little Rock. The development of the Arkansas River through the McClellan-Kerr Arkansas River Navigation System has resulted in a 448-mile navigation channel with 18 locks and dams from the Mississippi River northwest to a point 15 miles east of Tulsa, Oklahoma. The ability to provide low-cost, bulk transportation has created opportunities for industrial development in the area.

Little Rock is also the location of Foreign Trade Zone #14. The Zone is located in the Little Rock Port Industrial Park and allows imported goods to be stored or processed without payment of customs duty or posting of bond until the goods are moved out of the Zone and into normal domestic commerce.

The facility includes an Industrial Harbor which is 4,500 feet long, 320 feet wide and 15 feet deep. The Harbor is surrounded by 312 acres of new industrial sites and provides an additional two miles of water frontage.

Source: City of Little Rock, Arkansas Port Authority.

Population. The following chart sets out population data for the City and the County (source: U.S. Bureau of Census):

<u>Year</u>	<u>Little Rock</u>	<u>Pulaski County</u>
2010	193,524	382,748
2000	183,133	361,474
1990	175,795	349,660
1980	159,151	340,613
1960	107,813	242,980

Public Schools. Enrollment in the Little Rock School District, whose boundaries are generally co-extensive with the City limits, has been as follows:

<u>School Year</u>	<u>Enrollment⁽¹⁾</u>
2016-2017	22,759
2015-2016	23,164
2014-2015	23,363
2013-2014	23,676
2012-2013	23,594

Source: Arkansas Department of Education

⁽¹⁾Total enrollment

Higher Education. Little Rock offers educational institutions with instruction in undergraduate, graduate and professional fields. The following is a list of colleges and universities located within the Little Rock MSA (or with relatively short commutes) with approximate on-campus enrollments:*

University of Arkansas - Little Rock	11,261
University of Central Arkansas (Conway)	11,487
University of Arkansas - Pulaski Technical College	6,576
University of Arkansas Medical Sciences Campus	2,635
Hendrix College (Conway)	1,328
Arkansas Baptist College	878
Central Baptist College (Conway)	832
Philander Smith College	760
University of Arkansas Bowen School of Law	404

*Fall 2016

Building Permits. The following table shows new construction in the City, as reflected by building permits issued, at year end:

Year	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Permits	Value	Number of Permits	Value
2016	43	\$ 82,627,428	341	\$127,877,723
2015	42	110,946,286	348	110,448,031
2014	44	165,163,728	371	142,935,184
2013	40	66,466,839	366	133,022,786
2012	39	81,210,983	407	109,091,472

Sources: City of Little Rock Planning Department.

Principal Employers. The City's economy is comprised of a diverse mix of financial, commercial, industrial, government, health and educational sectors. This diversity helps maintain a relatively stable employment environment in the City. The top 15 employers within the boundaries of the City and Pulaski County (except as noted for the MSA) for 2016 were as follows:

<u>Rank</u>	<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
1	State Government (MSA)	Government	35,200
2	Local Government (MSA)	Government	26,500
3	Federal Government (MSA)	Government	10,200
4	University of Arkansas for Medical Sciences	Education/Medical Services	9,100
5	Baptist Health	Medical Services	6,590
6	Little Rock Air Force Base	Government	4,500
7	Arkansas Children's Hospital	Medical Services	4,000
8	Little Rock School District	Schools/Colleges/Education	3,500
9	Central Arkansas Veterans HealthCare System	Medical Services	2,800
10	Entergy Arkansas	Utility (Electric)	2,740
11	Pulaski County Special School District	Schools/Colleges/Education	2,700
12	AT&T	Utility (Telephone)	2,600
13	St. Vincent Health System	Medical Services	2,600
14	Arkansas Blue Cross Blue Shield	Insurance	2,590
15	Verizon Wireless	Communications/Telecommunications	2,500

Source: Little Rock Regional Chamber of Commerce.

Employment. The Arkansas Department of Workforce Services has provided the following data about the labor force and rate of unemployment for the Little Rock MSA:

<u>Date</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate (%)</u>
2017*	361,031	349,091	11,940	3.3
2016	350,470	338,038	12,432	3.5
2015	347,507	331,854	15,653	4.5
2014	339,859	321,347	18,512	5.4
2013	342,483	320,307	22,176	6.5
2012	348,517	325,233	23,284	6.7

*As of June 2017.

Medical Facilities. Little Rock hospitals serve patients throughout Arkansas. Baptist Medical Center, the area's largest hospital, has an 827-bed capacity. Baptist Medical Center, North campus, has a 225-bed capacity. St. Vincent Infirmiry Medical Center is a 615-bed general hospital. St. Vincent Medical

Center, Sherwood, is a 69-bed general care hospital. The Arkansas Children’s Hospital is a 336-bed facility that administers acute pediatric care to children up to age 21. The Central Arkansas Veterans Healthcare System includes two hospitals: Eugene J. Towbin Healthcare Center in North Little Rock, which has a 356-bed capacity; and John L. McClellan Memorial Veterans Hospital, located on the campus of the University of Arkansas for Medical Sciences Medical Center, which has a 195-bed capacity. The Arkansas Heart Hospital is a 110-bed facility specializing in cardiac care. UAMS Medical Center has a 450-bed capacity, and the Arkansas State Hospital is a 321-bed psychiatric facility.

Sources: Arkansas Department of Health and U. S. Department of Veterans Affairs.

County Economic Data. Per capita personal income estimates for the County are as follows: ⁽¹⁾

<u>Year</u>	<u>Per Capita Personal Income</u>
2015	\$45,862
2014	44,657
2013	43,231
2012	45,163
2011	42,042

Total personal income estimates for the County are as follows: ⁽¹⁾

<u>Year</u>	<u>Total Personal Income</u>
2015	\$18,088,251,000
2014	17,527,245,000
2013	16,918,400,000
2012	17,567,786,000
2011	16,263,094,000

⁽¹⁾Source: Bureau of Economic Analysis, United States Department of Commerce.

Litigation. The City is a party to multiple matters of litigation and regulatory proceedings arising from the City’s various governmental activities. There are no lawsuits or regulatory proceedings pending or, to the knowledge of the City, threatened against the City, in which claims of damage are made which, individually or in the aggregate, create a financial exposure which would substantially impair the financial solvency of the City.

Pension Plans and Other Post-Employment Benefits. Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans, one agent-multiple employer defined pension plan and two defined contribution pension plans. The City contributes to three cost-sharing multiple employer defined benefit pension plans. The City also sponsors and administers an informal single-employer defined benefit health care plan. For a discussion concerning the City's pension plans and other post-employment benefits, see **PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS**, herein.

Information regarding the pension plans and other post-employment benefits as of December 31, 2016 is found in Notes 6 and 7 to the general purpose financial statements of the City for the fiscal year ended December 31, 2016 which are contained in the City's Comprehensive Annual Financial Report ("CAFR"). The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.gov.

CONCERNING THE TRUSTEE

First Security Bank, Searcy, Arkansas, (the "Trustee") will be the Trustee under the Indenture. The Trustee may resign at any time by notice in writing to be given to the City and the holders of the Series 2017 Bonds, not less than thirty (30) days before such resignation is to take effect. The Trustee may be removed at any time (i) by the City; provided, however, that the City may not remove the Trustee so long

as an Event of Default (as defined under **SUMMARY OF THE INDENTURE**, herein) shall have occurred which has not been cured, or any event shall have occurred which with the passage of time would lead to an Event of Default or (ii) by an instrument or concurrent instruments in writing, signed by the Beneficial Owners of not less than a majority in principal amount of the Series 2017 Bonds and any Additional Bonds issued under the Indenture and then outstanding. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee, by the City or by any court of competent jurisdiction upon the application of the City or the Beneficial Owners of not less than twenty percent (20%) in principal amount of the Series 2017 Bonds and any Additional Bonds issued under the Indenture and then outstanding. Notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor is appointed and has accepted the appointment and the trusts of the Indenture.

Each successor Trustee must be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authorities, having combined capital stock, capital surplus and undivided profits of at least \$50,000,000. The foregoing requirement may be met by a parent corporation of the successor Trustee, provided that such parent corporation has guaranteed the obligations of the successor Trustee and further provided that such parent corporation has combined capital stock, capital surplus and undivided profits of at least \$50,000,000.

The Trustee is also the Bond Registrar, Dissemination Agent and Paying Agent for the Series 2017 Bonds.

The Trustee is deemed to have notice only of Events of Default described in the first paragraph under **SUMMARY OF THE INDENTURE**, Events of Default, and of other Events of Default of which it has received written notice from the Beneficial Owners of not less than 10% in outstanding principal amount of the Series 2017 Bonds and any Additional Bonds issued under the Indenture. During the continuance of an Event of Default of which the Trustee is deemed to have notice, the Trustee is required to use the degree of care and skill in the exercise of its duties as would be exercised by a prudent man in the conduct of his own affairs.

The Trustee shall not be required to take any action in discharging its trust until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees, and other reasonable disbursements, and against all liability.

The Trustee is entitled to reasonable compensation from the City. The Trustee's compensation will be paid from Pledged Revenues. If an Event of Default has occurred and is continuing, the Trustee's right to compensation from Pledged Revenues shall be entitled to a preference therefor over the claim of owners for payment of principal of and interest on Series 2017 Bonds from such Pledged Revenues.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture.

Significant Definitions. The following terms, when used in the Indenture, have the meanings set forth below:

"Beneficial Owner" shall mean (i) so long as the Bonds are held pursuant to a Book-Entry System, the owners of the beneficial interest in a Bond or Bonds as shown on the records of a Participant, and (ii) if the Bonds are no longer held pursuant to a Book-Entry System, an Owner.

"Bonds" refers to and includes the Series 2017 Bonds together with Additional Bonds issued under the Indenture.

"Holder," "Owner," "holder," "bondholder" and "registered owner" shall mean the registered owner of any Bond.

"Outstanding" or "outstanding" shall mean all Bonds which have been issued hereunder other than (a) Bonds which have been defeased under Article X of the Trust Indenture, or (b) Bonds in replacement of which Bonds have been issued under Section 206 of the Trust Indenture.

"Series 2017 Bonds" shall mean the City's Capital Improvement Refunding Revenue Bonds, Series 2017.

Application of Series 2017 Bond Proceeds. Proceeds of the Series 2017 Bonds will be applied as follows:

Debt Service Reserve. Unless paid by the Underwriter as part of the purchase price, the amount necessary to pay the premium for the Reserve Policy shall be paid to the Reserve Insurer.

Refunding. A portion of the proceeds of the Series 2017 Bonds, along with other funds of the City, shall be paid to the trustees for the Bonds Refunded in the amount required to accomplish the refunding of the Bonds Refunded.

Costs of Issuance. The remainder of the proceeds of the Series 2017 Bonds shall be deposited into a special fund of the City maintained with the Trustee and designated "Cost of Issuance Fund, Series 2017" (the "Cost of Issuance Fund"). Moneys in the Cost of Issuance Fund shall be expended for costs and expenses of refunding the Bonds Refunded or the expenses of issuing the Series 2017 Bonds. Moneys remaining in the Cost of Issuance Fund on February 1, 2018 shall be transferred by the Trustee to the Bond Fund.

Use of Pledged Revenues and Flow of Funds.

Pledged Revenues; Franchise Fee Fund. There is created in the Indenture a Franchise Fee Fund that shall be maintained by the City. Upon receipt by the City, the Pledged Revenues shall not be deposited into the general fund but shall be deposited into the Franchise Fee Fund in such depository or depositories for the City as may be lawfully designated by the City from time to time; provided that such depository or depositories shall hold membership in the FDIC.

Once there is on deposit in the Bond Fund the total amount to be deposited therein for the current fiscal year, moneys in the Franchise Fee Fund for that year may be immediately transferred after deposit, to the City's general fund and expended for any lawful purpose. In the alternative, subject to making the required deposits as hereinafter set forth and paying any amounts with respect to any outstanding Parity Obligations and Subordinate Obligations, any surplus in the Franchise Fee Fund may be withdrawn and used, at the option of the City, for other lawful municipal purposes; provided, however, that if the City receives Pledged Revenues only on a quarterly or annual basis, there shall always remain in the Franchise Fee Fund an amount sufficient to make the required payments into the Bond Fund until the next Pledged Revenues are to be received.

Bond Fund. There shall be transferred from the Franchise Fee Fund into a special fund of the City created by the Indenture in the Trustee and known as the "Bond Fund" (the "Bond Fund") the sums in the amounts and at the times described below for the purpose of providing funds for the payment of the principal of and interest on the Bonds, as due.

There shall be paid to the Trustee for deposit into the Bond Fund, on or before the 15th day of each of the months of January through March, commencing in January 2018, a sum equal to one-third (1/3) of the next installment of interest plus one ninth (1/9) of the next installment of principal on all Bonds then outstanding due at maturity or upon mandatory sinking fund redemption. There shall be paid to the Trustee for deposit into the Bond Fund, on or before the 15th day of each of the months of April through September, commencing in April 2018 one-sixth (1/6) of the next installment of interest plus one-ninth (1/9) of the next installment of principal on all outstanding Bonds then outstanding due at maturity or upon mandatory sinking fund redemption. The City shall also pay to the Trustee for deposit into the Bond Fund such additional sums as necessary to provide for the Trustee's fees and expenses, Reserve Policy payments due the Reserve Insurer, and any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code").

The City shall realize a credit against monthly deposits into the Bond Fund to the extent of interest earnings on moneys in the Bond Fund, deposits into the Bond Fund from Bond proceeds, if any, Debt Service Reserve transfers, and for transfers from funds held in connection with the Bonds Refunded.

If Pledged Revenues are insufficient to make the required payment by the 15th day of the month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund by the 15th day of the next month.

It shall be the duty of the Trustee to cause to be withdrawn from the Bond Fund on the due date of any principal and/or interest on any Bond, at maturity or redemption prior to maturity, the amount of such Bond and interest due thereon for the sole purpose of paying the same, together with the Trustee's fee and expenses and any Reserve Policy payments due the Reserve Insurer. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts required by Section 148(f) of the Code. No withdrawal of funds from the Bond Fund shall be made for any other purpose except as otherwise authorized in the Indenture. There shall also be withdrawn and paid to the United States Treasury any arbitrage rebate due at the times and in the amounts in accordance with Section 148(f) of the Code.

The Indenture establishes as part of the Bond Fund a Debt Service Reserve therein. The Debt Service Reserve shall be composed of accounts, each of which shall be identified by the Trustee and shall be dedicated to the security of no more than one issue of Bonds. The required level of the Debt Service Reserve account shall be established and fixed for each issue of Bonds; however, a Debt Service Reserve account is not required to be established for each issue of Bonds. The Debt Service Reserve account for the Series 2017 Bonds (the "2017 Debt Service Reserve Account") shall be funded with the Reserve Policy, in the face amount of the Required Level, issued by the Reserve Insurer.

The Reserve Policy deposited in the 2017 Debt Service Reserve Account shall be used for payment of principal of and interest on Series 2017 Bonds for which Bond Fund moneys are not available.

The City is obligated to repay the Reserve Insurer for any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Reserve Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Reserve Insurer.

Parity Obligations. The City may issue Parity Obligations in the future. If there are insufficient moneys in the Franchise Fee Fund to make the monthly payments into the Bond Fund and the Debt Service Reserve and to make monthly installments with respect to outstanding Parity Obligations (and debt service reserves therefor), the City shall make payments from the Franchise Fee Fund with respect to the Bonds and outstanding Parity Obligations pro rata based upon the outstanding principal amount of the Bonds and Parity Obligations.

Investments. Moneys held for the credit of the Franchise Fee Fund and the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City in Eligible Investments, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the payment date for interest or principal and interest.

Moneys held for the credit of any other fund shall be continuously invested and reinvested pursuant to the direction of the City in Eligible Investments which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates when the moneys held for the credit of the particular fund will be required for purposes intended.

"Eligible Investments" means any of the securities that are at the time legal for investment of City funds pursuant to Resolution No. 12,520 of the City. "Eligible Investments" include:

1. U.S. Treasury obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;

2. Certificates of deposit and other evidences of deposit at financial institutions, and commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, D-1, or higher) by a nationally recognized rating agency;

3 Investment-grade obligations of state, provincial, and local governments and public authorities;

4 Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and

5 Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The City's investment policy prohibits investments in derivative products, common stocks, and long-term bonds used for speculation.

Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

Moneys so invested in direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America or in certificates of deposit of banks to the extent insured by FDIC, need not be secured by the depository bank or banks.

All investments and deposits shall have a par value (or market value when less than par), exclusive of accrued interest, at all times at least equal to the amount of money credited to such funds and shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times.

Investments of moneys in all funds shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at par or face principal amount.

The City covenants that it will make all arbitrage rebate payments to the United States in accordance with Section 148 of the Code.

Additional Bonds. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds or obligations claimed to be entitled to a priority of lien on the Pledged Revenues over the lien securing the Bonds. The City reserves the right to issue Additional Bonds under the Indenture to finance or pay the cost of any capital improvements or to refund obligations issued for such purpose, ranking on a parity with the Bonds then outstanding provided there has been procured and filed with the City Clerk and the Trustee a statement by the City Finance Director or by an Accountant that the Pledged Revenues for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such Additional Bonds were equal to not less than 150% of the maximum annual principal and interest requirements on all Bonds, Parity Obligations and Subordinate Obligations then outstanding and the Additional Bonds then proposed to be issued. Additional Bonds shall rank on a parity of security with the Bonds with respect to Pledged Revenues except as otherwise provided herein.

Nothing in the Indenture shall prohibit the City from issuing bonds or other obligations of indebtedness other than under this Indenture and secured by a pledge of Pledged Revenues. Such obligations may, subject to meeting the test for issuing Additional Bonds set forth in the preceding paragraph, be issued on a parity with Bonds issued under the Indenture, except that the Bond Fund and the Debt Service Reserve Fund shall only secure payment of Bonds issued under the Indenture to the extent provided in the Indenture. Such obligations issued on a parity with the Bonds are referred to herein as "Parity Obligations." All other obligations of the City secured by a pledge of Pledged Revenues shall be subject and subordinate to the Indenture, and to all Bonds and Parity Obligations then outstanding and are referred to herein as "Subordinate Obligations."

Events of Default and Remedies. The Indenture defines "Event of Default" as any default in the payment of the principal of or interest on any of the Bonds, or if the City defaults in any Bond Fund requirement or in the performance of any of the other covenants contained in the Indenture, whereupon the Trustee may, and upon the written request of the registered owners of not less than 10% in principal amount of the Bonds then outstanding, shall, by proper suit, compel the performance of the duties of the officials of the City, under the Indenture, to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

No registered owner of any of the Bonds then outstanding shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any power or right unless such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the registered owners of not less than 10% in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more registered owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right thereunder except the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all registered owners of the Bonds then outstanding.

All rights of action under the Indenture or under any of the Bonds secured thereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name and for the benefit of all the owners of the Bonds, subject to the provisions of the Indenture.

In any proceeding to enforce the provisions of the Indenture any plaintiff bondholder shall be entitled to recover from the City all costs of such proceeding, including reasonable attorneys' fees.

No remedy conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

No delay or omission of the Trustee or of any owners of the Bonds to exercise any right or power accrued upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee and to the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon the written request of the Beneficial Owners of not less than 50% in principal amount of the Bonds then outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture or before the completion of the enforcement of any other remedy under the Indenture, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

CONTINUING DISCLOSURE AGREEMENT

During the past five years, the City has been obligated to comply with continuing disclosure agreements involving approximately 24 bond issues. Almost all such agreements require the City to file annual reports with the trustees, as the dissemination agents. The dissemination agents are required to file the annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within various time periods set by those agreements. The following summarizes a non-exhaustive list of the City's compliance with its continuing disclosure agreements during the past five years.

As part of the annual report, the City was obligated to file annual audited financial statements. For 11 of the bond issues, the City was required to file the audit of the general purpose financial statements of the City. The City was obligated to file the audited financial statements of its airport commission for two of the City's airport revenue bond issues. The City was obligated to file audited financial statements of the City's sewer system for 10 of the City's sewer revenue bond issues. The City was obligated to file the audited financial statements of its advertising and promotion commission for one bond issue.

For the bond issues that required the City to file the audit of the City's general purpose financial statements, the audited financial statements were all filed on time.

For the sewer revenue bond issues that required the City to file the audited financial statements of the sewer commission, the audited financial statements were all filed on time.

For the airport revenue bond issues that required the City to file the audited financial statements of its airport commission, the audited financial statements were all filed on time.

For the bond issue that required the City to file the audited financial statements of its advertising and promotion commission, such audited financial statements were filed on time.

All of the continuing disclosure agreements require that certain supplemental financial and operating data be provided as part of the annual report. The supplemental data to be provided varies by the type of the bonds issued and how each is secured. The City provided most, but not all, of the required supplemental data each year. In certain cases, the supplemental data was included in the audited financial statements that were filed as part of the annual report but was not presented in the manner prescribed by the continuing disclosure agreements. As of this date, supplemental data for all bond issues that are outstanding has been filed.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5). Included in the list of events are bond calls, defeasances and rating changes. During the past five years, the City has failed to timely file several notices concerning mandatory redemption of its bonds from surplus tax collections, the defeasance of bonds and changes in the ratings of its bond insurers. Notices concerning the City's failure to timely file notices of such events were not filed on EMMA.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of the provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Series 2017 Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean an Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Series 2017 Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year (presently December 31) commencing with the report after the end of the 2017 fiscal year, provide to the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities Exchange Commission, an Annual Report with respect to the Series 2017 Bonds which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days of receipt thereof by the City. If the fiscal year of the City changes, it shall give notice of such change in the manner as for a Listed Event.

(b) Not later than five (5) days prior to the date specified in subsection (a) for providing each Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information set forth in (a) under Content of Annual Report, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the following:

(a) Pledged Revenues for the latest calendar year and the four (4) previous years, if available; and

(b) The annual financial statements of the City prepared using accounting practices prescribed by Arkansas Code Annotated Section 10-4-412 as it may be amended from time to time, or any successor statute, which shall be audited by the Legislative Joint Auditing Committee, Division of the Legislative Audit of the State of Arkansas or by an independent certified public accountant.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modification to rights of security holders, if material.
8. Series 2017 Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of a Listed Event (excluding an event described in (a)8 above), whether by notice from the Trustee or otherwise, the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB, through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent). Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2017 Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or to the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2017 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2017 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2017 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Series 2017 Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any Annual Report or future notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Series 2017 Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of

defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Plans

Substantially all of the City's employees receive retirement benefits. The City sponsors three single employer defined benefit plans, one agent-multiple employer defined pension plan and two defined contribution pension plans. The City also contributes to three cost-sharing multiple employer defined benefit pension plans. The assets of the plans are maintained in legally separate trusts and each plan's assets may be used only for the payment of benefits to the members of that plan or their beneficiaries in accordance with the terms of the plan.

(a) *Firemen's Pension and Relief Fund*

The Firemen's Pension and Relief Fund (the "Firemen's Fund") is a single-employer defined benefit pension plan administered by the City, established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by the State. Fund assets are administered by a Board of Trustees.

The Firemen's Fund provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firemen who become permanently disabled, unless the disability is a direct result of gainful employment performed outside the fire department. The Firemen's Fund also provides benefits for surviving spouses and dependent children of deceased firemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan ("DROP") for up to 10 years.

All firemen hired after January 1, 1983, participate in the Arkansas Local Police and Fire Retirement System ("LOPFI"); thus, the Firemen's Fund is effectively closed to new members.

Contributions to the Firemen's Fund are set forth in Arkansas statutes. The City's contribution to the Firemen's Fund consists of a one mill real and personal property tax collection and an insurance premium tax turnback collected by the State Insurance Commissioner. Additionally, the City contributes a percentage of the firemen's salaries, which amounted to 6% during 2016. The participants contributed 6% of their salaries in 2016. Participant contributions are returned without interest if the participant terminates covered employment. Participant provisions applicable to the Firemen's Fund are established by Arkansas law and may not be less than 6%. Administrative costs are financed through Fund assets approved by the Board of Trustees. Total 2016 contributions to the Firemen's Fund were \$6,235,915. The City's share of contributions was \$5,424,238 and included \$4,256,858 in property taxes and \$1,002,354 in state insurance premium taxes.

The City's net pension liability as of December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are as follows for the Firemen's Fund as determined by the City at December 31, 2016:

<u>Changes in Net Pension Liability - Firemen's Fund</u>			
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$127,351,655	\$62,435,551	\$64,916,104
Charges for the year:			
Interest on total pension liability	6,088,293	--	6,088,293
Difference between expected and actual return	(120,292)	--	(120,292)
Benefit payments, including refunds of employee contributions	(11,171,601)	(11,171,602)	1
Administrative expense	--	(225,141)	225,141
Contributions - member	--	3,324	(3,324)
Contributions - employer	--	5,424,494	(5,424,494)
Net investment income	--	1,356,915	(1,356,915)
Other	--	567,243	(567,243)
Net Changes	<u>(5,203,600)</u>	<u>(4,044,767)</u>	<u>(1,158,833)</u>
Balances as of end of year	<u>\$122,148,055</u>	<u>\$58,390,784</u>	<u>\$63,757,271</u>

For the year ended December 31, 2016, the City recognized an increase in pension expense, as measured in accordance with GASB Statement No. 68, of \$4,309,483 and reported deferred outflows of resources of \$5,421,835.

(b) *Police Pension*

The Police Pension is an agent multiple-employer defined pension plan administered by the City and established in accordance with legislation enacted by the Arkansas General Assembly. Benefit provisions are established by the State. The majority of the plan assets are held by and managed by LOPFI and are excluded from the City's financial statements. The rest are held in a fiduciary fund on the City's books.

The Police Pension provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is a direct result of gainful employment performed outside the police department. The Police Pension also provides benefits for surviving spouses and dependent children of deceased policemen. No benefits are vested to participants until normal retirement. At normal retirement, participants may elect to continue working and enter the DROP for up to 10 years.

All policemen hired after January 1, 1983, participate in the LOPFI; thus, the Police Pension is effectively closed to new members.

Contributions to the Police Pension are set forth in Arkansas statutes. The City's contribution to the Police Pension consists of a one mill real and personal property tax collection, an insurance premium tax turnback collected by the State Insurance Commissioner, and a \$3 assessment against each court case plus 10% of fines and forfeitures collected. The City's contributions to the Police Plan for 2016 were \$7,439,847.

The City's net pension liability as of December 31, 2016 was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in total pension liability, plan fiduciary net pension and the net pension liability through the respective fiscal years ended, are as follows for the Police Pension as determined by the City at December 31, 2016:

<u>Changes in Net Pension Liability - Police Pension</u>			
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$94,577,556	\$46,165,175	\$48,412,381
Charges for the year:			
Interest on total pension liability	7,172,978	--	7,172,978
Difference between expected and actual return	626,074	--	626,074
Changes of assumptions	1,589,989	--	1,589,989
Local plan administrative mergers	--	--	--
Benefit payments, including refunds of employee contributions	(9,830,664)	(9,830,664)	--
Administrative expense	--	(83,836)	83,836
Contributions - employer	--	7,562,305	(7,562,305)
Net investment income	--	(130,408)	130,408
Other	--	198,741	(198,741)
Net Changes	<u>(441,623)</u>	<u>(2,283,862)</u>	<u>(1,842,239)</u>
Balances as of end of year	<u>\$94,135,933</u>	<u>\$43,881,313</u>	<u>\$50,254,620</u>

For the year ended December 31, 2016, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$7,135,351 and reported net deferred outflows of resources of \$2,468,100. At December 31, 2016, the City reported \$7,439,847 as deferred outflows of resources resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction in the net pension liability for the year ending December 31, 2017.

(c) *Nonuniformed Employees' Defined Benefit Pension Plan*

The Nonuniformed Employees' Defined Benefit Pension Plan (the "Nonuniformed Plan") is a single-employer, defined benefit pension plan established under State law. Benefit provisions are established by the City. Plan assets are administered by a Board of Trustees.

The Nonuniformed Plan provides retirement, disability and survivor benefits to participating employees and/or their beneficiaries or dependents who have met eligibility requirements set forth in the Plan's benefit provisions.

Under the original provisions of the Nonuniformed Plan, participants and the City were required to contribute a certain percentage of a participant's salary. Effective January 1, 1978, the Plan was frozen. Contributions continued to be required through December 31, 1980. As of January 1, 1981, participants in the Nonuniformed Plan became participants in the City's Nonuniformed Employees' Defined Contribution Plan, which became effective for all regular, nonuniformed employees of the City as of that date. Currently, the only contributions the City makes to the Nonuniformed Plan on an annual basis are those required to make the Plan actuarially sound. These contributions are made on a one year lag. Contributions during 2016 were \$883,340. Administrative costs are financed by the Nonuniformed Plan Fund. The liability for the Nonuniformed Plan has typically been liquidated from the City's general fund.

The City's net pension liability as of December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended, are as follows for the Nonuniformed Plan as determined by the City as of December 31, 2016:

<u>Changes in Net Pension Liability - Nonuniformed Plan</u>			
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$15,799,017	\$11,851,431	\$3,947,586
Charges for the year:			
Service cost	9,627	--	9,627
Interest on total pension liability	992,989	--	992,989
Transfers from DC plan	679,378	679,378	--
Difference between expected and actual return	(144,356)	--	(144,356)
Changes of assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(1,723,901)	(1,723,901)	--
Administrative expense	--	(19,799)	19,799
Contributions - employer	--	883,340	(883,340)
Net investment income	--	612,036	(612,036)
Other	--	--	--
Net Changes	<u>(186,263)</u>	<u>431,054</u>	<u>(617,317)</u>
Balances as of end of year	<u>\$15,612,754</u>	<u>\$12,282,485</u>	<u>\$3,330,270</u>

The above amounts are allocated between government-wide (governmental activities), Waste Disposal (business-type activities), Fleet (governmental activities) and Vehicle Storage (business-type activities), as shown on the following four schedules:

<u>Changes in Net Pension Liability - Nonuniformed Plan (Government Wide)</u>			
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$13,429,164	\$10,073,716	\$3,355,448
Charges for the year:			
Service cost	8,183	--	8,183
Interest on total pension liability	844,041	--	844,041
Transfers from DC plan	577,471	577,471	--
Difference between expected and actual return	(122,703)	--	(122,703)
Changes of assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(1,465,316)	(1,465,316)	--
Administrative expense	--	(16,829)	16,829
Contributions - employer	--	750,839	(750,839)
Net investment income	--	520,231	(520,231)
Other	--	--	--
Net Changes	<u>(158,324)</u>	<u>366,396</u>	<u>(524,719)</u>
Balances as of end of year	<u>\$13,270,841</u>	<u>\$10,440,112</u>	<u>\$2,830,729</u>

Changes in Net Pension Liability - Nonuniformed Plan (Waste Disposal)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$1,263,921	\$948,114	\$315,807
Charges for the year:			
Service cost	770	--	770
Interest on total pension liability	79,439	--	79,439
Transfers from DC plan	54,350	54,350	--
Difference between expected and actual return	(11,548)	--	(11,548)
Changes of assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(137,912)	(137,912)	--
Administrative expense	--	(1,584)	1,584
Contributions - employer	--	70,667	(70,667)
Net investment income	--	48,963	(48,963)
Other	--	--	--
Net Changes	<u>(14,901)</u>	<u>34,484</u>	<u>(49,385)</u>
Balances as of end of year	<u>\$1,249,020</u>	<u>\$982,599</u>	<u>\$266,422</u>

Changes in Net Pension Liability - Nonuniformed Plan (Fleet)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$947,941	\$711,086	\$236,855
Charges for the year:			
Service cost	578	--	578
Interest on total pension liability	59,579	--	59,579
Transfers from DC plan	40,763	40,763	--
Difference between expected and actual return	(8,661)	--	(8,661)
Changes of assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(103,434)	(103,434)	--
Administrative expense	--	(1,188)	1,188
Contributions - employer	--	53,000	(53,000)
Net investment income	--	36,722	(36,722)
Other	--	--	--
Net Changes	<u>(11,176)</u>	<u>25,863</u>	<u>(37,039)</u>
Balances as of end of year	<u>\$936,765</u>	<u>\$736,949</u>	<u>\$199,816</u>

Changes in Net Pension Liability - Nonuniformed Plan (Vehicle Storage)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$157,990	\$118,514	\$39,476
Charges for the year:			
Service cost	96	--	96
Interest on total pension liability	9,930	--	9,930
Transfers from DC plan	6,794	6,794	--
Difference between expected and actual return	(1,444)	--	(1,444)
Changes of assumptions	--	--	--
Benefit payments, including refunds of employee contributions	(17,239)	(17,239)	--
Administrative expense	--	(198)	198
Contributions - employer	--	8,833	(8,833)
Net investment income	--	6,120	(6,120)
Other	--	--	--
Net Changes	<u>(1,863)</u>	<u>4,311</u>	<u>(6,173)</u>
Balances as of end of year	<u>\$156,128</u>	<u>\$122,825</u>	<u>\$33,303</u>

For the year ended December 31, 2016, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$357,071 and reported deferred outflows of resources of \$669,038.

(d) *2014 Nonuniformed Employees' Defined Benefit Pension Plan*

The 2014 Nonuniformed Employees' Defined Benefit Pension Plan (the "2014 Defined Benefit Plan") is a single-employer, defined benefit pension plan established under State law. Benefit provisions are established by the City.

The 2014 Defined Benefit Plan provides retirement, disability and survivor benefits to participating employees and/or their beneficiaries or dependents who have met eligibility requirements set forth in the Plan's benefit provisions.

Under the provisions of the 2014 Defined Benefit Plan, the City contributes 9% of the participant's salary. The participants contribute 4.5% of their salaries. City contributions during 2016 were \$3,709,110. Contributions to the plan are made from various City governmental and business-type funds.

The City's net pension liability as of December 31, 2016 was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended, are as follows for the 2014 Defined Benefit Plan as determined by the City as of December 31, 2016:

Changes in Net Pension Liability - 2014 Defined Benefit Plan

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$40,221,052	\$35,509,110	\$4,711,942
Charges for the year:			
Service cost	4,670,895	--	4,670,895
Interest on total pension liability	2,796,992	--	2,796,992
Difference between expected and actual return	(932,229)	--	(932,229)
Changes of assumptions	1,849,331	--	1,849,331
Benefit payments, including refunds of employee contributions	(745,738)	(745,738)	--
Administrative expense	--	(83,231)	83,231
Contributions - employer	--	3,709,110	(3,709,110)
Contributions - member	--	1,855,506	(1,855,506)
Service purchases	847,020	847,020	--
Net investment income	--	1,623,353	(1,623,353)
Other	--	--	--
Net Changes	<u>8,486,271</u>	<u>7,206,020</u>	<u>1,280,251</u>
Balances as of end of year	<u>\$48,707,323</u>	<u>\$42,715,130</u>	<u>\$5,992,193</u>

The above amounts are allocated between government-wide (governmental activities), Waste Disposal (business-type activities), Fleet (governmental activities), Vehicle Storage (business-type activities), Advertising and Promotion Commission (component unit), Workforce Investment Board (component unit) and Little Rock Port Authority (component unit) as shown on the following seven schedules:

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Government Wide)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$30,393,038	\$26,832,459	\$3,560,579
Charges for the year:			
Service cost	3,525,592	--	3,525,592
Interest on total pension liability	2,111,170	--	2,111,170
Difference between expected and actual return	(703,646)	--	(703,646)
Changes of assumptions	1,395,875	--	1,395,875
Benefit payments, including refunds of employee contributions	(562,883)	(562,883)	--
Administrative expense	--	(62,823)	62,823
Contributions - employer	--	2,799,636	(2,799,636)
Contributions - member	--	1,400,536	(1,400,536)
Service purchases	639,331	639,331	--
Net investment income	--	1,225,307	(1,225,307)
Other	--	(4,712)	(4,712)
Net Changes	<u>6,405,437</u>	<u>5,434,392</u>	<u>961,621</u>
Balances as of end of year	<u>\$36,798,475</u>	<u>\$32,266,851</u>	<u>\$4,522,200</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Waste Disposal)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$2,860,521	\$2,525,408	\$335,113
Charges for the year:			
Service cost	331,820	--	331,820
Interest on total pension liability	198,698	--	198,698
Difference between expected and actual return	(66,226)	--	(66,226)
Changes of assumptions	131,376	--	131,376
Benefit payments, including refunds of employee contributions	(52,977)	(52,977)	--
Administrative expense	--	(5,913)	5,913
Contributions - employer	--	263,495	(263,495)
Contributions - member	--	131,815	(131,815)
Service purchases	60,172	60,172	--
Net investment income	--	115,323	(115,323)
Other	--	--	--
Net Changes	<u>602,865</u>	<u>511,916</u>	<u>90,949</u>
Balances as of end of year	<u>\$3,463,386</u>	<u>\$3,037,324</u>	<u>\$426,062</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Fleet)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$2,145,391	\$1,894,056	\$251,335
Charges for the year:			
Service cost	248,865	--	248,865
Interest on total pension liability	149,024	--	149,024
Difference between expected and actual return	(49,669)	--	(98,532)
Changes of assumptions	98,532	--	1,849,331
Benefit payments, including refunds of employee contributions	(39,733)	(39,733)	--
Administrative expense	--	(4,435)	4,435
Contributions - employer	--	197,621	(197,621)
Contributions - member	--	98,861	(98,861)
Service purchases	45,129	45,129	--
Net investment income	--	86,492	(86,492)
Other	--	--	--
Net Changes	<u>452,149</u>	<u>383,937</u>	<u>68,212</u>
Balances as of end of year	<u>\$2,597,539</u>	<u>\$2,277,993</u>	<u>\$319,547</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Vehicle Storage)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$357,565	\$315,676	\$41,889
Charges for the year:			
Service cost	41,478	--	41,478
Interest on total pension liability	24,837	--	24,837
Difference between expected and actual return	(8,278)	--	(8,278)
Changes of assumptions	16,422	--	16,422
Benefit payments, including refunds of employee contributions	(6,622)	(6,622)	--
Administrative expense	--	(739)	739
Contributions - employer	--	32,937	(32,937)
Contributions - member	--	16,477	(16,477)
Service purchases	7,522	7,522	--
Net investment income	--	14,415	(14,415)
Other	--	--	--
Net Changes	<u>75,358</u>	<u>63,989</u>	<u>11,369</u>
Balances as of end of year	<u>\$432,923</u>	<u>\$379,665</u>	<u>\$53,258</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Advertising and Promotion Commission)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$4,223,210	\$3,728,457	\$494,754
Charges for the year:			
Service cost	499,786	--	499,786
Interest on total pension liability	299,278	--	299,278
Difference between expected and actual return	(99,749)	--	(99,749)
Changes of assumptions	197,878	--	197,878
Benefit payments, including refunds of employee contributions	(79,794)	(79,794)	--
Administrative expense	--	(8,906)	8,906
Contributions - employer	--	396,875	(396,875)
Contributions - member	--	198,539	(198,539)
Service purchases	90,631	90,631	--
Net investment income	--	173,699	(173,699)
Other	--	(9,424)	9,424
Net Changes	<u>908,031</u>	<u>761,620</u>	<u>146,411</u>
Balances as of end of year	<u>\$5,131,241</u>	<u>\$4,490,077</u>	<u>\$641,165</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Workforce Investment Board)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$201,105	\$177,546	\$23,560
Charges for the year:			
Service cost	18,684	--	18,684
Interest on total pension liability	11,188	--	11,188
Difference between expected and actual return	(3,729)	--	(3,729)
Changes of assumptions	7,397	--	7,397
Benefit payments, including refunds of employee contributions	(2,983)	(2,983)	--
Administrative expense	--	(333)	333
Contributions - employer	--	14,836	(14,836)
Contributions - member	--	7,422	(7,422)
Service purchases	3,388	3,388	--
Net investment income	--	6,493	(6,493)
Other	--	<u>4,712</u>	<u>(4,712)</u>
Net Changes	<u>33,945</u>	<u>33,536</u>	<u>409</u>
Balances as of end of year	<u>\$235,050</u>	<u>\$211,082</u>	<u>\$23,969</u>

Changes in Net Pension Liability - 2014 Defined Benefit Plan (Little Rock Port Authority)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances as of beginning of year	\$40,221	\$35,509	\$4,712
Charges for the year:			
Service cost	4,671	--	4,671
Interest on total pension liability	2,797	--	2,797
Difference between expected and actual return	(932)	--	(932)
Changes of assumptions	1,849	--	1,849
Benefit payments, including refunds of employee contributions	(746)	(746)	--
Administrative expense	--	(83)	83
Contributions - employer	--	3,709	(3,709)
Contributions - member	--	1,856	(1,856)
Service purchases	847	847	--
Net investment income	--	1,623	(1,623)
Other	--	<u>--</u>	<u>--</u>
Net Changes	<u>8,486</u>	<u>7,206</u>	<u>1,280</u>
Balances as of end of year	<u>\$48,707</u>	<u>\$42,715</u>	<u>\$5,992</u>

For the year ended December 31, 2016, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$3,476,793, and reported net deferred outflows of resources of \$2,599,247.

(e) *Local Police and Fire Retirement System*

LOPFI is a statewide cost-sharing multiple employer defined benefit pension plan that provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. Contributions to LOPFI are made by both the members and the employers. Member contributions rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. LOPFI issues a publicly available financial report that includes financial statements and required supplementary information for the Plan, which may be obtained from the internet at www.lopfi-prb.com.

Contributions are set forth in Arkansas statutes. LOPFI members were required to contribute 8.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate, which was 27.81% for participating policemen and 21.58% for participating firemen. City contributions for 2016 to the Plan were \$12,644,874.

At December 31, 2016, the LOPFI Police and LOPFI Fire reported a liability of \$50,937,762 and \$47,477,923, respectively, for their proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The City's proportionate share was 9.7066% and 9.0473% respectively, for LOPFI Police and LOPFI Fire, which are unchanged from the prior year. The allocation percentages are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended December 31, 2015. The contributions used excluded contributions made for prior service, excess benefits and irregular payments.

For the year ended December 31, 2016, the LOPFI Police and LOPFI Fire recognized pension expense of \$8,772,281 and \$8,350,158, respectively. At December 31, 2016, the LOPFI Police and LOPFI Fire reported net deferred outflows of resources of \$12,610,235 and \$12,427,241, respectively. At December 31, 2016, the LOPFI Police and LOPFI Fire reported \$6,502,544 and \$6,180,614, respectively, as deferred outflows of resources resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction in the net pension liability for the year ending December 31, 2017.

(f) *Arkansas Public Employees Retirement System*

The following plan description of the Arkansas Public Employees Retirement System ("APERS") is provided for general information purposes only. More complete information may be found in Title 24 of the Arkansas Code of 1987 Annotated. Detailed information about the pension plan fiduciary net pension is available in a separately issued APERS financial report, which may be obtained from the internet at www.apers.org.

APERS is a cost-sharing multiple-employer defined benefit plan that provides benefits for the City's municipal judges and court clerks. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of APERS is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the "Board"). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

At December 31, 2016, the City reported a liability of \$1,061,363 for its proportionate share of the net pension liability. The City's proportionate share was 0.4438351%, which remain unchanged. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on actual City contributions to the pension plan relative to the actual contributions of all participating APERS members for the year ended June 30, 2016.

For the year ended December 31, 2016, the City recognized pension expense of \$143,834 and reported net deferred outflows of resources of \$246,589. At December 31, 2016, the City reported \$157,613 as deferred outflows of resources resulting from City contributions subsequent to the measurement date, which will be recognized as a reduction in the net pension liability for the year ending December 31, 2017.

(g) *Nonuniformed Employees' Defined Contribution Plan*

The Nonuniformed Employees' Defined Contribution Plan (the "Nonuniformed Contribution Plan") is a defined contribution plan administered by an independent fiduciary agent, but governed by a Board of Trustees consisting of City officials. The Nonuniformed Contribution Plan provides retirement, disability and survivor benefits for nonuniformed full-time employees who have met eligibility requirements as defined by the Plan, with the exception of certain executives and officials who are enrolled in alternate plans. The Nonuniformed Contribution Plan began on January 1, 1981; benefit provisions are established by the City. The amount of benefits paid to any participant depends solely on amounts contributed to the Plan plus investment earnings.

The Nonuniformed Contribution Plan requires that employees contribute no less than 3.5% and may contribute an additional 10% of their base salary. Only contributions up to 3.5% are pre-tax. The City is required to contribute 4% of covered payroll each pay period. Participants become fully vested in employer contributions and investment earnings credit to their account after five years of service. Nonvested City contributions and investment earnings are forfeited when participants leave covered employment and are transferred to a separate account which may be used to reduce City contributions. During 2016, pension expense to the Nonuniformed Contribution Plan was \$1,195,451.

(h) *401(a) Money Purchase and Trust Retirement Fund*

The 401(a) Money Purchase and Trust Retirement Fund is a defined contribution pension plan established under State law, which covers select employees. Pension expense is recorded for the amount of the City's required contributions, determined in accordance with the terms of the plan. The plan is administered by a Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan documents and were established, and can be amended, by action of the City's Board of Directors. During 2016, pension expense to the Plan was \$850,565.

(i) *Summary of Pension Plans*

A summary of the net pension liability, deferred outflows, deferred inflows and pension expense of each pension plan is shown below.

<u>Governmental Activities</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
Firemen's Pension and Relief Fund	\$63,757,271	\$5,421,835	\$ --	\$4,309,483
Police Pension	50,254,620	10,061,474	153,527	7,135,351
Nonuniformed Plan - Government Wide	2,830,729	568,683	--	303,510
Nonuniformed Plan - Fleet	199,816	40,142	--	21,424
2014 Defined Benefit Plan - Government Wide	4,522,200	3,055,134	1,094,365	2,955,274
2014 Defined Benefit Plan - Fleet	319,547	212,171	74,594	208,608
Police - LOPFI	50,937,762	20,112,184	999,405	8,772,281
Fire - LOPFI	47,477,923	18,865,926	258,071	8,350,158
APERS	<u>1,061,363</u>	<u>475,031</u>	<u>70,829</u>	<u>143,834</u>
	<u>\$221,361,231</u>	<u>\$58,812,580</u>	<u>\$2,650,791</u>	<u>\$32,199,923</u>
<u>Business-Type Activities*</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Pension Expense</u>
Nonuniformed Plan -Waste Disposal	\$266,422	\$53,522	\$ --	\$28,566
Nonuniformed Plan - Vehicle Storage	33,303	6,691	--	3,571
2014 Defined Benefit Plan - Waste Disposal	426,062	282,895	99,459	278,143
2014 Defined Benefit Plan - Vehicle Storage	<u>53,258</u>	<u>35,361</u>	<u>12,432</u>	<u>34,768</u>
	<u>\$779,045</u>	<u>\$378,469</u>	<u>\$111,891</u>	<u>\$345,048</u>

*Same amounts for proprietary funds' financial statements.

The City's net pension liability increased \$30,553,661 to \$221,361,231 for governmental activities and \$779,045 for business-type activities. Approximately \$29,100,000 of the increase in net pension liability is associated with the City's proportionate share of the liability of LOPFI, primarily due to an increase in the assumed investment rate of return and the difference between expected and actual investment earnings on pension plan investments.

Other Postemployment Benefits

The City sponsors and administers an informal single-employer defined benefit health care plan ("OPEB"). State law provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's health care plan after retirement. In addition, members employed at least five years with age plus service exceeding 70 at retirement are eligible for benefits.

The contribution requirements of plan members are established by the City and may be amended as needed for the first six months of retirement. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan. After paying full premiums for six months, members are eligible for City-subsidized rates (75% of the single premium rates are paid by the City). The plan has 220 retired participants who pay monthly premiums between \$86 for single coverage and \$692 for family coverage.

The City's OPEB cost is typically funded by the general fund. The City's annual OPEB expense is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligations:

Annual required contribution (ARC)	\$1,171,609
30-year amortization of beginning of year net OPEB assets	19,923
Interest on net OPEB obligation	<u>(17,306)</u>
Annual OPEB cost	1,174,226
Total annual employer contribution	<u>(1,171,609)</u>
Increase in net OPEB obligation	2,617
Net OPEB asset - beginning of year	<u>247,223</u>
Net OPEB asset - end of year	<u>\$249,840</u>

The components of the ARC calculation reflecting a 30 year amortization period is as follows:

Service cost	\$427,935
Amortization of unfunded obligation	667,027
Interest to end-of-year	<u>76,647</u>
ARC	<u>\$1,171,609</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
12/31/2016	\$1,174,226	100%	\$249,840
12/31/2015	1,271,404	100%	247,223
12/31/2014	1,252,811	100%	243,282

As of January 1, 2016, the most recent actuarial valuation date, the OPEB plan was 23.9% funded. The actuarial accrued liability for benefits was \$11,637,294, and the actuarial value of assets was \$2,780,728, resulting in an unfunded actuarial accrued liability ("UAAL") of \$8,856,566. The covered payroll (annual payroll of active employees covered by the plan) was \$114,145,469, and the ratio of the UAAL to the covered payroll was 7.76%.

INFORMATION REGARDING THE PENSION PLANS AND OPEB, INCLUDING THE ACTUARIAL METHODS AND ASSUMPTIONS USED, THE DISCOUNT RATE, THE BASIS OF ACCOUNTING AND THE METHOD USED TO DETERMINE THE FAIR VALUE OF INVESTMENTS, IS FOUND IN NOTES 6 AND 7 TO THE GENERAL PURPOSE FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED DECEMBER 31, 2016, WHICH ARE CONTAINED IN THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR"). THE CAFR CAN BE VIEWED IN ITS ENTIRETY ON THE CITY'S WEBSITE AT WWW.LITTLE ROCK.GOV.

FINANCIAL INFORMATION

Upon request, the City will provide annual audited financial statements and other pertinent credit information relevant to the Series 2017 Bonds, including the City's Comprehensive Annual Financial Report ("CAFR"), and will provide copies to one or more major information providers in the state and local government securities market. Appropriate credit information necessary for maintaining the rating on the Series 2017 Bonds will be provided by the City to the rating agencies rating the Series 2017 Bonds.

The CAFR contains the audited general purpose financial statements of the City. The most recent CAFR is the one for the fiscal year ended December 31, 2016. The CAFR can be viewed in its entirety, including the accountants' report, notes to the financial statements and required supplementary information on the City's website at www.littlerock.gov.

The Pledged Revenues pledged to the payment of the Series 2017 Bonds consist of franchise fees imposed by the City pursuant to Title 14, Chapter 200, Subchapters 101 through 112 and Title 23, Chapter 19, Subchapters 201 through 210 of the Arkansas Code of 1987 Annotated or successor statutes (the "Franchise Fee Acts") for products and services furnished or rendered by various public utilities within the City's corporate limits for the permission to occupy the streets, highways or other public places within the City. Except for video service provider fees collected under Title 23, Chapter 19, Subchapter 206 of the Arkansas Code of 1987 Annotated, which are collected in an amount equal to the lesser of (i) the percentage of gross revenues paid by an incumbent video service provider and (ii) five percent (5%), the maximum amount of the franchise fee that may be charged is the greater of 4.25% or the amount in effect on January 1, 1997, unless agreed to by the affected utility or approved by the voters of the City. The City charges a franchise fee based upon the gross revenues received by the public utility (unless otherwise noted below) during the preceding calendar year from residential and commercial customers in the City as follows:

<u>Public Utility</u>	<u>Charge Levy</u>	<u>Payable</u>
Electric Utility	5.20%	Monthly
Southwestern Bell	7.32%	Monthly
Other Local Landline	7.32%	Monthly
CenterPoint (Reliant/Arkla)	5.20%	Monthly
Fiber Optics	5.00%	Quarterly
Comcast Cable	5.00%	Quarterly
Long Distance	\$.004*	Monthly

*Per minute use

The City also collects franchise fees from both the Little Rock Water Reclamation Authority and Central Arkansas Water. Such franchise fees are not collected pursuant to the Franchise Fee Acts and are not a part of the Pledged Revenues. The Little Rock Water Reclamation Authority is a commission of the City that operates the City's sewer system which is now known as the City's water reclamation system. The Little Rock Water Reclamation Authority is a component unit of the City. Central Arkansas Water provides water service to the City and is consolidated water system formed by the Cities of Little Rock and North Little Rock.

Set forth below is a table showing the Pledged Revenues received for the past five years from each public utility:⁽¹⁾

<u>Public Utility</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Electric Utility	\$13,374,425	\$13,151,261	\$12,699,659	\$14,252,897	\$13,541,870
Southwestern Bell	863,272	800,269	732,206	651,755	597,469
Other Local Landline	231,803	262,062	229,921	220,729	212,450
CenterPoint (Reliant/Arkla)	2,843,386	3,382,754	3,739,870	3,246,476	2,527,027
Fiber Optics	1,437,936	1,404,692	1,691,019	1,855,687	1,806,052
Comcast Cable	1,863,162	1,904,570	1,870,664	1,752,630	1,715,444
Long Distance	<u>857,255</u>	<u>918,586</u>	<u>792,030</u>	<u>784,773</u>	<u>699,463</u>
Total	\$21,471,239	\$21,824,418	\$21,755,369	\$22,764,947	\$21,099,775

⁽¹⁾In 2016, the City collected franchise fees from the Little Rock Water Reclamation Authority in the amount of \$5,191,474 and from Central Arkansas Water in the amount of \$3,307,834.

DEBT SERVICE COVERAGE

The following table shows the net revenues available for debt service based upon Pledged Revenues collected in 2016, the amount of maximum annual debt service for the Series 2017 Bonds, and the extent to which debt service on the Series 2017 Bonds is covered by such funds:

Pledged Revenues Available for Debt Service(A)	\$21,099,775
Maximum Annual Debt Service Requirements(B)	1,507,900
Debt Service Coverage (A/B)	13.99x

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Series 2017 Bonds for each year:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 930,000.00	\$ 574,461.67	\$ 1,504,461.67
2019	870,000.00	635,850.00	1,505,850.00
2020	895,000.00	609,750.00	1,504,750.00
2021	925,000.00	582,900.00	1,507,900.00
2022	950,000.00	555,150.00	1,505,150.00
2023	980,000.00	526,650.00	1,506,650.00
2024	1,010,000.00	497,250.00	1,507,250.00
2025	1,045,000.00	456,850.00	1,501,850.00
2026	1,100,000.00	404,600.00	1,504,600.00
2027	1,155,000.00	349,600.00	1,504,600.00
2028	1,210,000.00	291,850.00	1,501,850.00
2029	1,260,000.00	243,450.00	1,503,450.00
2030	1,310,000.00	193,050.00	1,503,050.00
2031	1,360,000.00	140,650.00	1,500,650.00
2032*	1,415,000.00	86,250.00	1,501,250.00
2033*	1,460,000.00	43,800.00	1,503,800.00
TOTALS	\$17,875,000.00	\$6,192,111.67	\$24,067,111.67

*Term Bond Installments

The City has outstanding short-term notes issued under Amendment No. 78 to the Constitution of the State of Arkansas in the aggregate principal amount of \$23,966,577 (collectively, the "Amendment 78 Notes"). The Amendment 78 Notes are charged against and payable from the general revenues of the City. The maximum maturity limit by law is five years for a financing. The remaining debt service schedule on the Amendment 78 Notes is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,436,025	\$ 139,014	\$ 1,575,039
2018	7,337,682	389,678	7,727,360
2019	5,846,493	265,834	6,112,327
2020	4,710,718	166,045	4,876,763
2021	3,547,624	82,250	3,629,874
2022	1,088,035	19,693	1,107,728
Total	\$23,966,577	\$1,062,514	\$25,029,091

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Series 2017 Bonds, or questioning or affecting the legality of Series 2017 Bonds or the Pledged Revenues or the proceedings and authority under which the Series 2017 Bonds are to be issued, or questioning the right of the City to enter into the Indenture or to issue the Series 2017 Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Series 2017 Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel. Certain legal matters will be passed upon for the City by its counsel, Thomas M. Carpenter, Esq., City Attorney.

Tax Exemption. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law the interest on the Series 2017 Bonds is exempt from all Arkansas state, county and municipal taxes.

In the opinion of Bond Counsel, interest on the Series 2017 Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2017 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2017 Bonds and the facilities financed and refinanced by the Bonds Refunded. Failure to comply with certain of such requirements could cause the interest on the Series 2017 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2017 Bonds. The City has covenanted to comply with all such requirements in the Indenture.

Prospective purchasers of the Series 2017 Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2017 Bonds, (ii) interest on the Series 2017 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2017 Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2017 Bonds.

Prospective purchasers of the Series 2017 Bonds should be further aware that Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2017 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2017 Bonds, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code).

As shown on the cover page of this Official Statement, certain of the Series 2017 Bonds are being sold at an original issue discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates,

original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the front cover of this Official Statement, certain of the Series 2017 Bonds are being sold at an original issue premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current or future legislative proposals, if enacted into law, may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent holders of the Series 2017 Bonds from realizing the full current benefit of the tax status of such interest. Recent legislative proposals include provisions that would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2017 Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Series 2017 Bonds and the enforceability of the remedies available under the Indenture may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Indenture resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Underwriting. Under a Bond Purchase Agreement (the "Agreement") entered into by and between the City, as issuer, and Stephens Inc., as underwriter (the "Underwriter"), the Series 2017 Bonds are being purchased at a price of \$19,334,713.20 (principal amount less Underwriter's discount of \$160,875 plus net original issue premium of \$1,620,588.20). The Agreement provides that the Underwriter will purchase all of the Series 2017 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2017 Bonds is subject to various conditions contained in the Agreement, including the absence of pending or threatened litigation questioning the validity of the Series 2017 Bonds or any proceedings in connection with the issuance thereof, and the absence of material adverse changes in the financial or business condition of the City.

The Underwriter intends to offer the Series 2017 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The Underwriter may offer and sell Series 2017 Bonds to certain dealers (including dealers depositing Series 2017 Bonds into investment trusts) at prices lower than the public offering price.

The City has agreed to indemnify the Underwriter against certain civil liabilities in connection with the offering and sale of the Series 2017 Bonds, including certain liabilities under federal securities laws.

Rating. S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Series 2017 Bonds. Such rating reflects only the views of S&P at the time such rating was given. An explanation of the significance of the rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2017 Bonds.

Neither the City nor the Underwriter has undertaken any responsibility subsequent to the issuance of the Series 2017 Bonds to assure the maintenance of the rating or to oppose any revision or withdrawal of the rating. No application has been made to any rating agency other than S&P for a rating on the Series 2017 Bonds.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2017 Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF LITTLE ROCK, ARKANSAS

By /s/ Mark Stodola
Mayor

Dated: As of the Cover Page hereof