



**MEETING OF JANUARY 2, 2024**

**TO:** Mayor Jordan and City Council

**THRU:**

**FROM:** Paul Becker, Chief Financial Officer

**DATE:**

**SUBJECT: Fire Pension Fund Number Change and Authorization to Loan Cash to the Fire Pension Fund from the General Fund When Necessary**

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**RECOMMENDATION:**

That the assigned Fire Pension Fund fund number be changed from 6810 to 2810 in the 2024 budget. This will identify the fund as a special revenue fund in the City of Fayetteville accounting structure.

That the Mayor or his designee (Chief Financial Officer) be authorized to loan cash from the General Fund to the Fire Pension Fund to make monthly payments to LOPFI for benefit payments until fire pension tax payments are received from the County to provide necessary reimbursements for the remainder of the fiscal year.

That loan repayments from the Fire Pension Fund be made to the General Fund when practicable.

That the total loan liability amount due the General Fund in the Fire Pension Fund be reduced to its lowest amount based on available cash by the end of each fiscal year.

**BACKGROUND:**

The City Council, at the administration's recommendation, approved the consolidation of the Fayetteville local fire pension fund with LOPFI (Arkansas Local Police and Fire retirement system) by the passage of Ordinance #6676 on August 15, 2023. At that time, the exact details had not yet been communicated to the City concerning payment amounts required by the City to LOPFI. Therefore, the budget for transfer payments to LOPFI and the related property taxes which fund those payments were budgeted in the Fire Pension Fund #6810. This is classified as a Trust Fund in the City of Fayetteville budget and accounting system.

**DISCUSSION:**

The final details received from LOPFI require monthly reimbursements be made by the City to LOPFI for benefit payments to retirees. This creates a cash flow problem because the majority of fire property tax funding is normally received from the County in two large distributions in April and October. Therefore, it is requested that the Mayor or his designee (CFO) be authorized to loan necessary cash to the City's Fire Pension Fund from the City General Fund in order to meet monthly payments to LOPFI for the reimbursement of monthly benefit payments.

The Mayor or his designee (CFO) would then be required to repay the cash loaned to the Fire Pension Fund

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as soon as possible based on Fire Pension property taxes received. By the end of the fiscal year, the Mayor or his designee would be required to reduce the loan liability amount to the General Fund to its lowest possible value with any cash available in the Fire Pension Fund.

**BUDGET/STAFF IMPACT:**

The loans and repayment of the loans from the General Fund to the Fire Pension Fund would not require an adjustment to the budget but instead would create a loan payable on the Fire Pension Fund balance sheet and a receivable on the General Fund balance sheet until all cash loans are paid back.

**ATTACHMENTS:** SRF (#3)