Mayor Lioneld Jordan

City Attorney Kit Williams

City Clerk Sondra Smith

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Mark Kinion
Ward 2 Position 2 – Matthew Petty
Ward 3 Position 1 – Justin Tennant
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Rhonda Adams
Ward 4 Position 2 – Sarah E. Lewis

City of Fayetteville Arkansas
City Council Meeting Minutes
January 4, 2011

A meeting of the Fayetteville City Council was held on January 4, 2011 at 6:00 p.m. in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Mayor Jordan called the meeting to order.

Oaths of Office:

Adella Gray	**Alderman Ward 1**
Mark Kinion	**Alderman Ward 2**
Justin Tennant	**Alderman Ward 3**
Kit Williams	**City Attorney**

Judge Rudy Moore welcomed the new Council members to their term in office. He administered Oaths of Office for Alderman Gray, Kinion and Tennant and City Attorney Kit Williams.

PRESENT: Alderman Gray, Thiel, Kinion, Petty, Tennant, Ferrell, Lewis, Mayor Jordan, City Attorney Kit Williams, City Clerk Sondra Smith, Staff, Press, and Audience.

ABSENT: Rhonda Adams

Pledge of Allegiance

Mayor's Announcements, Proclamations and Recognitions: None

City Council Meeting Presentations, Reports and Discussion Items: None

Election of Vice Mayor:

Alderman Ferrell moved to elect Alderman Thiel. Alderman Petty seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

Alderman Thiel was elected as Vice Mayor

Report on the Firemen's and Policemen's Pension and Relief Fund – Mayor

Mayor Jordan presented the report to the Council. A copy of the report is attached.

Alderman Ferrell: As far as legality the City has no responsibility to this is that correct?

City Attorney Kit Williams: Not at this point under the current law. In the last two sessions of the legislature, bills were introduced that would have required the City to assume all these liabilities. Right now it is up to the City Council to determine whether or not you want to assume those liabilities.

Alderman Petty: Paul, we met about a month ago and you explained this fund to me. I was wondering if you could go over the key differences and benefits from this old fund and the new LOPFI fund and how drastic they are and why that has led to the situation they are in now.

Paul Becker, Finance Director: The old pension funds the benefits were increased to 90%. The LOPFI at this point in time is at 100%. The increase in the old plan was made after the plan was closed which put pressure on the fund. There is no new money from the employees going into that fund because it is a closed plan. Another issue was that those salaries were set in the old pension plan, the salaries set for pension benefits, was on what they were making at that point in time. In the LOPFI plan that is averaged over a period of time so that is somewhat less. There is also more beneficial latitude toward DROP. DROP is the ability for, in the old pension plan, to set aside five years of benefits from the plan and collect them at time of termination. There was a large amount of money taken out of that plan for DROP. That is major difference and why that the Fire plan is in a more unstable condition than the Police plan. DROP in the LOPFI plan is averaged over a period of time and is not the same. There are some significant differences in these two plans and the funding mechanizations with those plans.

Alderman Petty: Isn't there also a difference in spousal benefits?

Paul Becker: Yes. In the old pension plans, when they where increased to their maximum they have full spousal benefits. If the pensioner passes away the spouse gets 100% of his benefit. That is not the way that LOPFI work. In LOPFI you take a lesser pension fund to secure benefits for your spouse.

Alderman Petty: When we had the meeting with the Pension Review Board one of the arguments made was that with the LOPFI plan the cities put in a matching amount and that has

not happened with the old pension plan. You raised a good point that we all need to be aware of when this comes up, and that is that the taxpayers have been putting almost $400,000 to $500,000 per year out of property taxes with the old pension plan. That doesn't happen with LOPFI. I think when it comes down to it the City has done its duty to help these pensioners. I think we need to look at this and realize that they are asking for too much and it's on them to reduce benefits. We need to do maybe spend a little time trying to convince the Pension Review Board that this is important and they are going to run out of their benefits because we are not going to help them out. We have already done our part.

Paul Becker: When the pension fund started and when the levy was placed the guaranteed rate was 50%. That has been raised to a large amount over that. We pay contributions from the General Fund to LOPFI. The citizens of the City have been paying a total of .4 mills since the inception of the plan.

Alderman Petty: Would you say that the level of benefits they are currently getting is highly unusual compared to other pension plans?

Paul Becker: Absolutely, LOPFI is very high compared to other pension plans also.

Alderman Lewis: Does your staff have an eye on the upcoming session?

Paul Becker: We will be carefully looking at any potential legislation and we are going to oppose any legislation that takes away from local jurisdiction. The decision should be made on the local level. We do not feel that the State should mandate what we should do as far as that old pension plan is concerned.

City Attorney Kit Williams: The problem that happens sometimes is a shell bill is filed that does not say what they are doing. They have a general title and then at the last second of the session people fill in the shell bills and can sometimes get them passed. We have to try to monitor it very closely and look at it so that they do not take away your discretion and your ultimate decision on how to handle city finances.

Don Marr: The staff met with our State delegation last week about that particular issue and our concerns. We received a commitment from each of them to also help us look for those as they are introduced.

Alderman Ferrell: Does the Municipal League have a position on this legislation and if so what is it?

Paul Becker: Since there is no legislation they have not taken a position but I would certainly assume they would oppose it and we will talk to them about it at the appointed time.

City Clerk Sondra Smith: I sit on the Public Safety Board for the Arkansas Municipal League and we review Bills that come forward. The board actually votes whether or not we want the Municipal League to support them. We watch Bills that concern the pension plans very closely. There are also other boards that vote on those Bills and whether or not they want Municipal

League to support or oppose a Bill. If any of you all are interested in serving on those boards that would be good.

Mayor Jordan: Sondra and I have voted to reduce benefits and we it was voted down. Our conscience and position is relatively clear. I have heard estimates that it could cost the City as much as $1 million per year to bail out those plans. Paul do you remember the estimates on that?

Paul Becker: The latest estimates that we heard, when they were here in October, to make the plan sound and keep it here they were talking about $250,000 per year for the next 20 years or $500,000 per year for the next 15 years or in excess of $1 million to send it to LOPFI.

2011 Governing Body Appointments:

Mayor Jordan made the following board appointment recommendations.

Active Transportation Advisory Committee Appointment: Brenda Thiel

Advertising & Promotion Commission: Justin Tennant and Mayor Jordan.

Alderman Ferrell moved to approve the 2011 Governing Body Appointments. Alderman Lewis seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

Approved

2011 Mayor Appointments:

Northwest Arkansas Regional Planning Commission
Jeremy Pate
Sarah Lewis
Matthew Petty

Equipment Committee
Adella Gray
Matthew Petty
Bobby Ferrell
Sarah Lewis

Streets Committee
Brenda Thiel
Matthew Petty
Bobby Ferrell
Rhonda Adams

Water & Sewer Committee
Adella Gray
Mark Kinion
Justin Tennant
Sarah Lewis

Nominating Committee
Adella Gray
Mark Kinion
Bobby Ferrell
Rhonda Adams

Ordinance Review Committee
Brenda Thiel
Matthew Petty
Justin Tennant
Sarah Lewis

Alderman Ferrell moved to approve the 2011 Mayor Appointments. Alderman Gray seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

Approved

Agenda Additions:

Mayor Jordan: I have a walk on item.

Alderman Ferrell moved to add Repeal Resolution No. 230-10 Jacobs Engineering Group, Inc. to the agenda. Alderman Petty seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

Repeal Resolution No. 230-10 Jacobs Engineering Group, Inc.: A resolution repealing Resolution No. 230-10 approving Supplemental Agreement No. 3 with Jacobs Engineering Group, Inc. for engineering services for the Fayetteville Expressway Economic Development Corridor Project in the amount of $370,851.54 and approving a budget adjustment in the amount of $296,682.00.

Chris Brown, City Engineer stated we submitted a supplemental agreement to the City Clerks office and it went into the Council packet and was approved at the last City Council meeting. However during the time that the process was going through we received some comments from the Highway Department because it is a Federal Aid contract they also reviewed this. We made some minor revisions to the contract. We did not change the amount of the contract. We did not get that to the City Clerks office to be included in the final packet. This is just to approve the actual final version of the contract so that we can go ahead and get the supplemental agreement signed and move forward with the work.

Alderman Ferrell: This came through the Street Committee and it's just a bookkeeping item.

Don Marr, Chief of Staff: When we add something at the Council meeting we want to make sure the public knows that this is not a habit of the staff. This is time sensitive and time is money in road construction.

Alderman Ferrell moved to approve the resolution. Alderman Thiel seconded the motion. Upon roll call the resolution passed 7-0. Alderman Adams was absent.

Resolution 01-11 as recorded in the office of the City Clerk.

Consent:

Approval of the December 21, 2010 City Council meeting minutes.

Approved

Bid #11-01 Time Striping, Inc.: A resolution awarding Bid #11-01 and authorizing a contract with Time Striping, Inc. in the amount of $12,000.00 for the purchase of thermal striping for the Transportation Division.

Resolution 02-11 as recorded in the office of the City Clerk.

Bid #11-02 Time Striping, Inc.: A resolution awarding Bid #11-02 and authorizing a contract with Time Striping, Inc. in the amount of $54,124.00 for the purchase of reflectorized paint markings for the Transportation Division.

Resolution 03-11 as recorded in the office of the City Clerk.

Bid #11-03 Ground Zero Construction & Tomlinson Asphalt Co. Inc.: A resolution awarding Bid #11-03 and authorizing the purchase of curb and gutter construction from Ground Zero Construction as a primary supplier and Tomlinson Asphalt Co. Inc. as a secondary supplier in variable amounts as needed in calendar year 2011 by the Transportation Division.

Resolution 04-11 as recorded in the office of the City Clerk.

Bid #11-04 S & R Trucking & Les Rogers, Inc.: A resolution awarding Bid #11-04 and authorizing the purchase of topsoil from S&R Trucking as a primary supplier and Les Rogers, Inc. as a secondary supplier in variable amounts as needed in calendar year 2011 by the Transportation Division.

Resolution 05-11 as recorded in the office of the City Clerk.

Bid #11-05 S & R Trucking, Sweetser Construction, Inc. & Les Rogers, Inc.: A resolution awarding Bid #11-05 and authorizing the purchase of hillside gravel from S & R Trucking as a primary supplier, Sweetser Construction, Inc. as a secondary supplier for material to be picked

up and Les Rogers, Inc. as a secondary supplier for material to be delivered, in variable amounts as needed in calendar year 2011 by the Transportation Division.

Resolution 06-11 as recorded in the office of the City Clerk.

Bid #11-06 Tune Concrete Company & APAC-Central, Inc.: A resolution awarding Bid #11-06 and authorizing the purchase of concrete from Tune Concrete Company as a primary supplier, APAC-Central, Inc. as a secondary supplier, and authorizing the subsequent use of other bidders based on price and availability, in variable amounts as needed in calendar year 2011 by the Transportation Division.

Resolution 07-11 as recorded in the office of the City Clerk.

Bid #11-08 Hillside Haulers & Les Rogers, Inc.: A resolution awarding Bid #11-08 and authorizing the purchase of truck hauling services from Hillside Haulers and Les Rogers, Inc. as primary suppliers with each to be used on a rotating basis, and authorizing the subsequent use of other bidders based on price and availability, in variable amounts, as needed during calendar year 2011 by the Transportation Division.

Resolution 08-11 as recorded in the office of the City Clerk.

Bid #11-09 Northwest Arkansas Quarries, LLC & APAC-Central, Inc.: A resolution awarding Bid #11-09 and authorizing the purchase of aggregate from Northwest Arkansas Quarries, LLC as a primary supplier, APAC-Central, Inc. as a secondary supplier, and authorizing the subsequent use of other bidders based on price and availability, in variable amounts as needed in calendar year 2011 by the Transportation Division.

Resolution 09-11 as recorded in the office of the City Clerk.

Bid #11-11 Tomlinson Asphalt Co.: A resolution awarding Bid #11-11 and authorizing the purchase of curb and gutter from Tomlinson Asphalt Co., Inc. in an amount not to exceed $225,000.00 and authorizing the subsequent use of other bidders based on price and availability, in variable amounts, as needed for use in Ozark Regional Transit New Freedom Projects during calendar year 2011.

Resolution 10-11 as recorded in the office of the City Clerk.

Bid #11-12 Les Rogers, Inc.: A resolution awarding Bid #11-12 and authorizing the purchase of topsoil from Les Rogers, Inc. in the amount of $9.95 per cubic yard as needed for use in Ozark Regional Transit New Freedom Projects during calendar year 2011.

Resolution 11-11 as recorded in the office of the City Clerk.

Bid #11-13 Northwest Arkansas Quarries, LLC & APAC-Central, Inc.: A resolution awarding Bid #11-13 and authorizing the purchase of aggregate from Northwest Arkansas Quarries, LLC in the amount of $5.30 per ton and authorizing the use of APAC-Central, Inc. in

the amount of $5.50 per ton as a secondary supplier, as needed for use in Ozark Regional transit New Freedom Projects during calendar year 2011.

Resolution 12-11 as recorded in the office of the City Clerk.

Bid #11-14 Scurlock Industries of Fayetteville, Inc. & HD Supply WaterWorks: A resolution awarding Bid #11-14 and authorizing the purchase of concrete drainage pipe from Scurlock Industries of Fayetteville, Inc. and metal and plastic drainage pipe from HD Supply WaterWorks in varying unit prices, and authorizing the use of other bidders based on price and availability as needed for use in Ozark Regional Transit New Freedom Projects and other city projects during calendar year 2011.

Resolution 13-11 as recorded in the office of the City Clerk.

Alderman Ferrell moved to approve the Consent Agenda. Alderman Thiel seconded the motion. Upon roll call the motion passed unanimously.

Alderman Ferrell: This is in keeping with the City's philosophy of buying locally and I think it's great that we continue to do that.

Unfinished Business:

RZN 10-3608 (Parker): An ordinance rezoning that property described in rezoning petition RZN 10-3608, approximately 0.74 acre, located at 101 East Alice Street, from RSF-4, Residential Single-Family, 4 units per acre, to C-2, Thoroughfare Commercial, subject to the bill of Assurance. *This ordinance was left on the First Reading at the December 21, 2010 City Council meeting.*

City Attorney Kit Williams read the ordinance.

Jeremy Pate, Internal Services and Development Director gave a brief overview of the ordinance. Staff did not recommend approval of this rezoning request. We felt the car dealership goals could be achieved by a different zoning as opposed to a C-2 zoning district. Our recommendation is for them to look at Community Services zoning district. That would allow this particular use as a conditional use permit.

Alderman Thiel: They can get the conditional use approval but how would we even start because they have applied for C-2.

Jeremy Pate: The Council would not be involved in either one of those processes. If the Council approves C-2 tonight the applicants by right can submit their development plans and we would go through a review process. If the Council rezoned it to Community Services, which requires a conditional use permit, they could also submit their plans to the Planning Commission and we would go through that process. The timing in terms of the review process is not that much different.

Alderman Thiel: The Council could choose to rezone this for something other than what the applicant applied for?

Jeremy Pate: Certainly.

Alderman Thiel: Without the applicant approving that?

Jeremy Pate: They could leave it RSF-4. If you choose to deny the C-2 application it would remain RSF-4. We do not feel that is the proper zoning either. We think there should be probably some transition between RSF-4 to the east. We picked Community Services because we felt it would be an appropriate transition and allow what this property owner wants to do with their property.

Alderman Lewis: Staff described this area as an Urban Center Area, is that a geographical area or is that delineated on a map?

Jeremy Pate: It covers a corridor but it covers outside College Avenue as well.

Alderman Petty stated he wanted to offer an amendment to zone the property Community Services. Community Services will allow a range of uses by right and all of them will be compatible with the surrounding area now and in the future.

Alderman Petty moved to amend the zoning to Community Services. Alderman Lewis seconded the motion.

Alderman Lewis: What is the approximate investment that we have made and what is the investment we are planning to make in the College corridor?

Paul Becker, Finance Director: Are you talking about all the road construction?

Alderman Lewis: Yes.

Paul Becker: I would estimate about $10 million.

Alderman Lewis: Thank you. I wanted you to help me make the point that this community, council, staff and city has pledged and invested a lot of money into this corridor. I agree the conditional use process would be more appropriate.

Alderman Petty: Some of the arguments I've heard is the applicant should be able to expand a car dealership by right and that is what C-2 provides, the development plan is reasonable and not worth the hold up, it's not good business sense to have a split zoned property but in this case there's not really any difference. The sell of this property is contingent upon the rezoning to commercial.

Alderman Thiel: This property is not on College. It adjoins a piece of property that is already zoned C-2. What is the difference in the requirements between the Community Services with the conditional use or the C-2 with the Bill of Assurance?

Jeremy Pate: One of the primary differences with a conditional use permit is the Planning Commission would review site grading, landscape and the tree preservation plan. They could ask for additional screening or buffers if neighbors thought that was important. They could look at interior landscaping and landscaping along the perimeter, in excess of what would be required by ordinance. With a use by right the Planning Commission will not see the plans. It will be a staff review only.

Alderman Thiel: You don't look at drainage on C-2?

Jeremy Pate: We do but we would not be able to look any type of low impact development standards or any other alternative storm water construction.

Alderman Thiel: The Bill of Assurance says they will plant a 10 foot wide landscape buffer.

Jeremy Pate: Correct, on the eastern side.

Alderman Thiel: And a six foot tall masonry wall along the eastern boundary.

Jeremy Pate: Correct.

Alderman Thiel asked the applicant how she feels about the rezoning?

Avis Bailey owner and operator of Superior Nissan: In 2007 we were going to purchase more than three quarters of an acre. Now we are proposing just three quarters of an acre that does not take you back to where C-2 is already to the south. We have an architectural drawing that complies with city standards. We are willing to change the east boundary. Our goal is to get as many parking spaces as we can. This plan would yield 76 parking spaces. We don't intend to build a building. I too am interested in the future of Fayetteville. I have worked in Fayetteville for 39 years. I am willing to cooperate with the neighborhood. Our business is expanding. I have asked for C-2 because that is what it is already. To me it makes sense to have a piece of property, that is continuous, to have it all zoned the same way.

Alderman Thiel: You have a contract to buy the property?

Avis Bailey: Yes.

Alderman Thiel: You would still want to go through with that based on the fact that it is not going to take any longer.

Avis Bailey: We have wanted to buy the property for many years.

Alderman Thiel: You don't think you would be able to do this if we rezoned.

Avis Bailey: It would take an entirely different thought process in my mind. C-2 is what I feel makes sense for us to prosper as a business there.

Alderman Kinion: The use of this property is basically for storage it's not going to be a show property that's going to have light pollution or noise that is going to go into the neighborhood.

Avis Bailey: No, it will be used for more inventory.

Alderman Kinion: It's an inventory area that is not going to have a lot of traffic, noise, or light pollution that is going to impact the area.

Avis Bailey: No. To reach the three quarters of an acre you would have to pull onto our property the way it is right now. We are not asking for another entrance or exit. We are going to leave every tree or shrub that can be left.

Alderman Tennant: Right now you are using the lot across the street, the old car dealership that moved out of the city?

Avis Bailey: Yes.

Alderman Tennant: When it gets rented you are going to have to move your cars.

Avis Bailey: Yes.

Alderman Petty: If we rezone this as Community Services tonight it would continue to be your intension to purchase the property and you would seek a conditional use permit to do that?

Avis Bailey: No, sir.

Alderman Petty: You would not attempt to purchase the property?

Avis Bailey: No, sir.

Alderman Petty: Why?

Avis Bailey: In my mind it makes good business sense to have it all zoned the same way. It would be an improvement to the neighborhood not an intrusion. We could clean it up and make a buffer that would be there for a long time.

Alderman Petty: You said the nine days would not make a difference for you and you have been trying to purchase the property for years. Your business has reached a point that expanding has become a necessity. It seems that would still be true if it was zoned Community Services.

Mayor Jordan: She has stated she is not interested in buying the property if it is not C-2.

Avis Bailey: I'm sorry if it doesn't make sense to you but it does to me.

Alderman Gray: This property can never be used for anything except what she is asking for unless she comes back to the Council?

Jeremy Pate: It could be used for any facet of an auto dealership. It could be used for a new building or expansion of any services there. Right now the Bill of Assurance states it is an auto dealership for that lot. The current plan is to expand the parking lot.

Alderman Gray: The conditions say that it will be a parking lot?

Jeremy Pate: No, it's an auto dealership.

Alderman Ferrell: Matthew, I don't see this as an opposition. I have been a proponent from day one of form base zoning. I think it is good and I compliment staff with coming up with that. This business has been there for twenty years. There is C-3 on three sizes of it. We visited with the person that lives in the residence behind it and they have no problem with this. In 20 years there have been no complaints of lighting, noise or anything that I know of. I will not support the amendment.

Alderman Thiel: I support the rezoning but I don't support the amendment. I don't want to rezone something that no one has asked for.

Alderman Lewis: The request is to enable them to expand their business and from my point of view that's what the Community Services would do. It would also allow future businesses to by right do what they would do within the Community Services area on that piece of land. I agree that she should be able to expand her dealership. In the proposed project with the Bill of Assurance what they want to do would fit within Community Services.

Jeremy Pate: As a conditional use.

Alderman Lewis: They could more forward as is, request a conditional use, and not change anything they are projecting to do.

Jeremy Pate: In terms of the use. I haven't reviewed the site plans, so I'm not sure about that. An automobile dealership or parking lot associated with the dealership would be permitted as uses by conditional use permit in the zoning district.

Alderman Lewis: Good, thank you.

Alderman Tennant: This is a long standing Fayetteville business. This is about balancing growth with the right kind of growth. They have gone to a great deal of expense, they have a Bill of Assurance, they have been more than cooperative. I believe this is the right thing for the business and community and the wishes of the dealership is to make this C-2. I don't support the amendment.

Upon roll call the motion failed 2-5. Alderman Petty and Lewis voting yes. Alderman Gray, Thiel, Kinion, Tennant, and Ferrell voting no. Alderman Adams was absent.

The amendment failed.

Alderman Thiel moved to suspend the rules and go to the second reading. Alderman Ferrell seconded the motion. No vote was taken.

City Attorney Kit Williams stated he has already read the ordinance.

Alderman Thiel moved to suspend the rules and go to the third reading. Alderman Ferrell seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

City Attorney Kit Williams read the ordinance.

Donna Stewart, Reality Title and Closing Services: The 2007 request was to rezone the entire parcel not just the parcel we are asking for. When you say the exact same request was made in 2007 it was not. I hope you will take that into consideration when you are thinking about staff turned it down in 2007, that is correct but it was the entire parcel, not just the little bit Ms. Bailey wants to purchase now.

Jeremy Pate: That's correct and it states that in the staff report.

Mayor Jordan asked shall the ordinance pass. Upon roll call the ordinance passed 5-2. Alderman Gray, Thiel, Kinion, Tennant, and Ferrell voting yes. Alderman Lewis and Petty voting no. Alderman Adams was absent.

Ordinance 5379 as Recorded in the office of the City Clerk

New Business:

Asphalt Material Bid Waiver: An ordinance waiving the requirements of formal competitive bidding during calendar year 2011 for the purchase of asphalt materials for use by the Transportation Division.

City Attorney Kit Williams read the ordinance.

Terry Gulley, Transportation Services Director gave a brief description of the ordinance.

Alderman Thiel moved to suspend the rules and go to the second reading. Alderman Petty seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

City Attorney Kit Williams read the ordinance.

Alderman Thiel moved to suspend the rules and go to the third reading. Alderman Petty seconded the motion. Upon roll call the motion passed 7-0. Alderman Adams was absent.

City Attorney Kit Williams read the ordinance.

Alderman Lewis: I hope we can use less than this.

Mayor Jordan asked shall the ordinance pass. Upon roll call the ordinance passed 7-0. Alderman Adams was absent.

Ordinance 5380 as Recorded in the office of the City Clerk

Announcements:

Alderman Lewis announced First Thursday.

Meeting adjourned at 7:10 p.m.

Lioneld Jordan, Mayor

Sondra E. Smith, City Clerk/Treasurer

LOCAL PENSION FUND REPORT 2010

In keeping with statutory requirements, I am presenting this report for 2010 on the local Police and Fire retirement and Relief Funds for the City of Fayetteville. Both of these plans were closed, by law, in 1983 and there are no longer any active members remaining. There are currently 49 police and 61 fire retirees and beneficiaries in the system.

At December 2010 projected expenses from the fire pension fund were approximately $1.5 million as compared to fund revenues of $1,070,000. Projected police pension fund expenses were approximately $1.6 million as compared to fund revenues in excess of $1.4 million. This is before adjusting investments to market value. However, on a cash flow basis, contributions are not covering expenses.

Actuarial evaluations are the responsibility of the State of Arkansas Fire and Police Pension Review Board. The last evaluations completed were as of August 31, 2010 for the year ending December 31, 2009. Based on these evaluations the unfunded pension obligations of police and fire were $4.6 million and $6.7 million respectively and have grown considerably from prior years. The unfunded actuarially accrued liabilities for these funds were approximately $14 million for police and $15 million for fire. In the annual reports issued by the Arkansas Pension Review Board neither the fire nor police pension fund were adjudged actuarially sound pursuant to established financial tests. Again, this actuarial valuation was performed before the current year (2010).

As you may remember on October 18, 2010 representatives of the Pension Review Board came to Fayetteville to present a special report on the Fire Pension Fund. Both Fire Pension Board members and City Council members attended the meeting in which this report was presented. During that presentation, the PRB Board Actuary indicated that the fund runs a 90% risk of ruin within the next 5 to 10 years. The Fire Pension Board was, therefore, told of the current status of the fund at that time. However, the Fire Pension Board has been aware of the unstable state of the fund and has been discussing the situation and possible options for almost two years. The primary option being discussed is that of reducing current benefits. However, the pension board has been advised that there is no specific enabling legislation to reduce benefits and legal issues might prevent that option. Other options presented would require substantial financial contributions by the City. However, the City has no direct obligation to fund the pension plan; other than a .4 mill dedicated levy for each, plus state insurance turn back.

The Police Pension Fund is also actuarially unsound but not in immediate danger of becoming insolvent. The Police Pension Board is also aware of the Police Pension Fund status and has been considering options that would guarantee long term solvency. In any event these Pension funds should be closely monitored.