



City Council

City Council Chambers ♦ 524 West Stephenson Street, 3rd Floor ♦ Freeport, IL 61032

MINUTES

SPECIAL MEETING

Monday, November 30, 2015

CALL TO ORDER

The regular meeting of the Freeport, Illinois, City Council was called to order in council chambers by Mayor James L. Gitz with a quorum being present at 6:00 p.m. on November 30, 2015.

ROLL CALL

Present on roll call: Mayor Gitz and council members Tom Klemm, Peter McClanathan, Art Ross, Jodi Miller, Patrick Busker, Sally Brashaw, and Andrew Chesney (7). Alderperson Mike Koester was absent. Representing the City of Freeport as special counsel was Michael Phillips, Esq.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Alderperson Chesney.

APPROVAL OF AGENDA

Alderperson Miller requested to have item number 6 (Prorok Invoice) moved forward on the agenda to follow item number 4 the resolution for the tax levy. Alderperson Ross moved for approval of the agenda as presented, seconded by Alderperson Klemm. Motion prevailed by voice vote without dissent.

PUBLIC COMMENTS – AGENDA ITEMS

Steve Carroll, 811 Oak, Freeport, Illinois, spoke concerning the invoice regarding Prorok Law Office and his bill to the City. He stated this has been quite contentious and spoke in support of paying the bill.

COMMUNICATION TO COUNCIL

A. Approval to receive and place on file the City of Freeport GO Bonds 2015A Official Statement

Alderperson McClanathan moved for approval to receive and place on file the City of Freeport GO Bonds 2015A Official Statement, seconded by Alderperson Klemm. Motion prevailed by voice vote without dissent.

B. Informational Item on Tax Levy History

Included in the council packet was the following information on the tax levy history:

Property Tax Bills

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

“Property Tax Bills were mailed by the Stephenson County Treasurer in the spring of 2015 for the 2014 Stephenson County Real Estate Taxes for taxing bodies including Freeport School District 145, Stephenson County, Freeport Corporate, Freeport Park District, Highland Community College, Freeport Public Library, Freeport Township, and Freeport Mosquito Abatement.

Did you know that only 8.98% of your total property tax bill is forwarded to the City of Freeport? The other taxing bodies make up the 91.02% of the tax collected. The City of Freeport’s share pays for police and fire emergency services and personnel, street maintenance and crews, leaf pick-up, snow removal, demolitions, building permitting and inspections, licensing, grant writing, nuisance inspection, animal control, accounting, payroll, and human resource for over 200 employees and other administrative functions to run the City of Freeport.

When viewing the attached charts it is important to remember these comparisons are the percentage share of the tax bill and not the taxable rates.

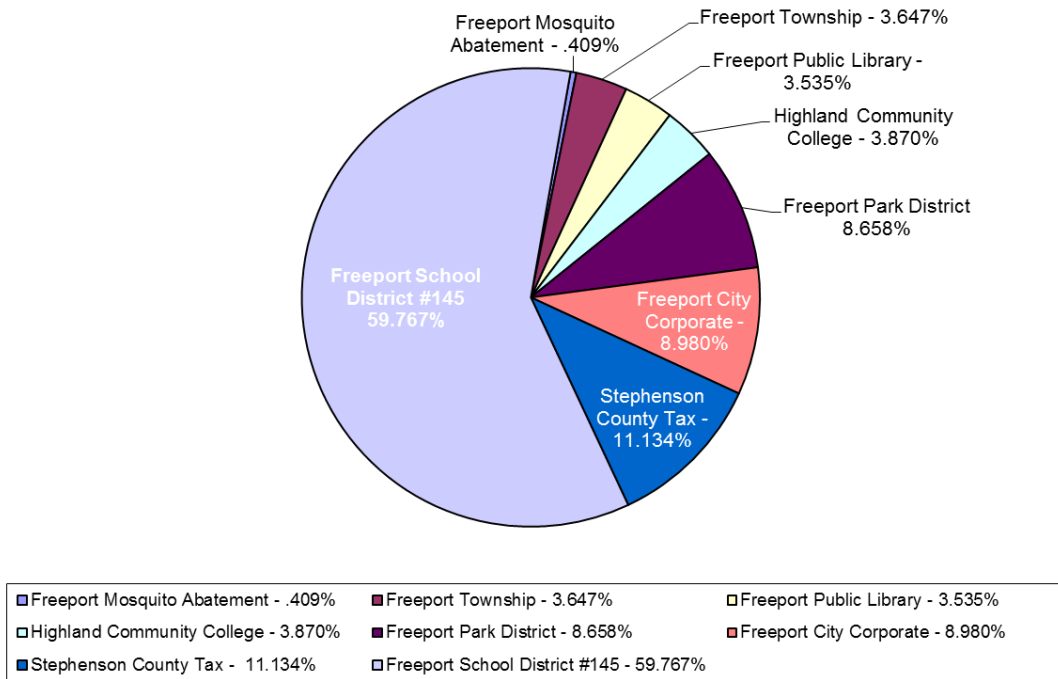
Last year, home values were lowered. A property valued at \$146,000 the year before was valued at \$141,580 this year. This property valued at \$141,580, located in the City limits and owner occupied paid total taxes of \$5,147.08. Of this amount, \$462.23 was paid to the City of Freeport while \$3,076.27 was forwarded to Freeport School District #145, \$573.06 to Stephenson County and \$445.61 to the Freeport Park District.

Also provided is the amount of money the City of Freeport has levied for the last ten years. This amount funds Firefighter Pensions, Police Pensions, the Illinois Municipal Retirement Fund and the City’s Corporate Fund. Only a small portion, less than half of a million dollars, went towards the corporate fund. In 2008, this amount was close to a million dollars. The City of Freeport either made up funding through other sales tax revenue or cut its budget to accommodate.” Also provided was a history of the tax levies for the last ten years including the following excerpt:

City of Freeport Tax Levy								
	2014	2013	2012	2011	2010	2009	2008	2007
Firefighter's Pension	569,263	578,701	623,084	878,086	965,806	722,392	572,471	566,873
Police Pension	1,273,118	1,143,543	1,191,541	1,073,551	937,272	906,618	825,056	750,388
IMRF	136,000	257,000	286,400	256,000	240,000	212,000	168,000	172,000
Corporate Fund	469,660	544,470	544,470	464,470	489,540	722,393	997,876	997,876
	<u>2,448,041</u>	<u>2,523,714</u>	<u>2,645,495</u>	<u>2,672,107</u>	<u>2,632,618</u>	<u>2,563,403</u>	<u>2,563,403</u>	<u>2,487,137</u>
Percentage Change	-3.0%	-4.6%	-1.0%	1.5%	2.7%	0.0%	3.1%	2.5%
Tax Cap Limit		1.7%	3.0%	1.5%	2.7%	0.1%	4.1%	2.5%
Tax Rate	0.011011126	0.0110111	0.0109819	0.0107009	0.0104272	0.0099993	0.00992	0.0097592
Percentage Change	0.0%	0.3%	2.6%	2.6%	4.3%	0.8%	1.6%	-0.9%
EAV	222,324,307	229,200,316	240,899,418	249,714,350	252,479,215	256,361,207	258,416,227	254,852,880
Percentage Change	-3.0%	-4.9%	-3.5%	-1.1%	-1.5%	-0.8%	1.4%	3.4%

2014 Stephenson County Property Tax Bill
---- Mailed in Spring 2015---

Percentage of Total Real Estate Tax Bill - This is not the taxable rate



Mayor Gitz stated this was an informational item and does not need to be placed on file.

RESOLUTION #R-2015-67:

RESOLUTION DETERMINING THE AMOUNT OF MONEY ESTIMATED TO BE NECESSARY TO BE RAISED BY TAXATION FOR FISCAL YEAR 2015-2016 UPON TAXABLE PROPERTY IN THE CITY OF FREEPORT AND MAKING A DETERMINATION THAT THE CITY OF FREEPORT MAY ADOPT AN AGGREGATE LEVY IN AN AMOUNT THAT IS MORE THAN 105% OF THE AMOUNT PREVIOUSLY EXTENDED PURSUANT TO THE CITY'S FINAL AGGREGATE LEVY EXTENSION IN 2014 FOR TAXES PAYABLE IN 2015

Mayor Gitz noted there was a typo in the title for this resolution and it should read "the amount previously extended pursuant to the City's Final Aggregate Levy Extension in 2015 for Taxes Payable in 2016. Mayor Gitz stated he has hired Duane Price, former City Accountant, as consultant for to complete Finance Department work for the interim. Mayor Gitz explained this resolution is pursuant to GASB as presented by the actuary in the last council meeting and the amount if adopted according to the GASB requirements would go over 105%. By presenting this resolution in tonight's meeting it protects the record for options. He explained this will not be final action as the Tax Levy Ordinance will need two readings and its final amount can be determined at either of those two readings. This is for the determination was to whether a public hearing is necessary. If the council determines that the proposed tax levy is more than 105% of the amount extended upon the levy from last year, than a public hearing must be held. Due to timing issues, the determination would be necessary this evening to trigger a

**MINUTES
SPECIAL MEETING
Monday, November 30, 2015**

public hearing at the next council meeting. The resolution presented in the packet is provided below and:

RESOLUTION NO. R-2015-67

WHEREAS, Section 18-60 of the Illinois Truth-In-Taxation Law (codified as 35 ILCS 200/18-60) provides that not less than 20 days prior to the adoption of its aggregate real estate tax levy, the corporate authority of each taxing district shall determine the amount of money estimated to be necessary to be raised by taxation for that year upon the taxable property in its district; and

WHEREAS, Section 18-70 of the Illinois Truth in Taxation Law (codified as 35 ILCS 200/18-70) provides that If the estimate of the corporate authority made as provided in Section 18-60 is more than 105% of the amount extended or estimated to be extended upon the final aggregate levy of the preceding year, the corporate authority shall give public notice of and hold a public hearing on its intent to adopt an aggregate levy in an amount which is more than 105% of the amount extended or estimated to be extended upon the final aggregate levy extensions; and

WHEREAS, most of the City of Freeport's property tax levy goes towards payment of Police, Firefighters and IMRF pension contributions and these pension contributions have greatly increased in 2015-2016 because of new Government Accounting Standards Board ("GASB") rules for pensions; and

WHEREAS, the new GASB rules would require additional pension contributions of \$1,090,672 over pension levies of \$1,978,381 in 2014/2015 (as part of an overall 2014/2015 levy of \$2,448,041) in order to meet the City's 2015/2016 pension contributions through the property tax levy, and such a levy would increase the amount levied beyond the 105% limit set forth by the Illinois Truth in Taxation Law; and

WHEREAS, as a matter of public policy the City of Freeport has reduced its property tax levy in each of the past three years in order to adjust for lower assessed valuation of real property within the City of Freeport and in order to promote economic vitality and home affordability; and

WHEREAS, the purpose of this Resolution is to comply with the Notice of Hearing provisions of Sections 18-70 and 18-75 of the Illinois Truth in Taxation Law (35 ILCS 200/18-55) regarding levy increases while the City continues to consider fiscally prudent alternatives to a 105% or greater property tax levy to meet its pension obligations for Police, Firefighters and IMRF pensions, and thus the City's eventual Tax Levy may be more than or less than the amount as specified in Section 2 below.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FREEPORT, ILLINOIS as follows:

Section 1. The foregoing recitals shall be and are hereby incorporated in this Section 1 as if said recitals were fully set forth.

Section 2. It is hereby determined that the estimate to be necessary to be raised by taxation for the fiscal year 2015-2016 is the sum of Three Million Sixty Nine Thousand Fifty Three Dollars and 00/100 Dollars (\$3,069,053.00), which is more than 105% of the amount of the final aggregate tax levy of the preceding year, as determined through the methodology laid out in 35 ILCS 200/18-65.

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

The remaining sections are template.

Duane Price, former City Accountant, was asked to present the tax levy information. He provided a power point presentation which included the tax levy estimates noted in the resolution because that was the amount discussed at the last council meeting. Since that time he and Mayor Gitz have worked on another proposal. He reviewed the different options marked as the Preliminary 2015 Tax Levy Calculation.

The first slide provided two Options labeled as Option #1 and Option #2. Mr. Price explained Option #1 is the Original 2015 Tax Levy and is based on GASB rules requiring 100% funding by 2040 (he noted it was a typo from 2044) for pensions and no levy for the general fund. Option #2 is based on the State formula of 90% funding by 2040 and contributing an additional \$601,000 from the General Fund for pensions:

	2014 Tax Levy	1 Original 2015 Tax Levy	2 Proposed 2015 Tax Levy
Firefighter's pension contribution	569,263	1,048,933	613,312
Police pension contribution	1,273,118	1,756,120	1,208,831
IMRF	136,000	264,000	214,295
Corporate	469,660		469,660
	<u>2,448,041</u>	<u>3,069,053</u>	<u>2,506,098</u>
Percentage Increase over previous year		25.4%	2.4%

1. Based on GASB rules requiring 100% funding by 2044 for pensions and no levy for the General Fund.
2. Based on State formula of 90% funding by 2044 and contributing an additional \$601,000 from the General Fund for pensions.

The second slide included the following:

	Annual Contribution	20% Contribution From Rep. Tax	2015 Tax Levy	Previous Year Tax Levy	% Change
Firefighter's pension contribution	1,311,166	262,233	1,048,933	569,263	84.3%
Police pension contribution	2,195,150	439,030	1,756,120	1,273,118	37.9%
IMRF	330,000	66,000	264,000	136,000	94.1%
Corporate				469,660	-100.0%
	<u>3,836,316</u>	<u>767,263</u>	<u>3,069,053</u>	<u>2,448,041</u>	<u>25.4%</u>

The third slide Mr. Price reviewed as the administration's recommendation now that they have had the opportunity to review the numbers more closely. This option would require an amount of \$469,660 out of the budget for next year to make up to the short comings from the tax levy to fund pensions.

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

	90% Target Annual Contribution	20% Contribution From Rep. Tax	Corporate Fund Additional Contribution	2015 Tax Levy	2014 Tax Levy	% Change
Firefighter's pension contribution	943,449	188,690	141,447	613,312	569,263	7.7%
Police pension contribution	1,859,174	371,835	278,508	1,208,831	1,273,118	-5.0%
IMRF	330,000	66,000	49,705	214,295	136,000	57.6%
Corporate				469,660	469,660	0.0%
	3,132,623	626,525	469,660	2,506,098	2,448,041	2.37%

Tax Cap Limitation 0.8%	Est. 0% increase	Effect on \$100,000 home If the EAV of the home does not change		
		Amount of Tax	Dollar Increase	% Increase
Estimated assessed value	218,135,748			
Estimated tax rate	0.0114887	383	9	2.4%
Previous year's tax rate	0.0112227	374		

ASSUMES NO CHANGE IN TOTAL EAV

Mr. Price reviewed the advantages (pros) of using the 90% State pension allocation method:

- Will comply with present State legal pension requirements while showing restraint regarding the property tax levy.
- We can protect General Fund allocation by including it in the levy – thereby protecting that category of funding in future levies if there is a property tax freeze.
- We can make a onetime pension payment from the general fund and not unduly jeopardize reserves.
- This approach will not affect the City's bond rating as long as all payments on bonded indebtedness are made & City maintains a stable financial position.
- We do not have to worry about the legal requirements of a public hearing for increases in excess of 5%

Mr. Price reviewed the disadvantage (cons) of using the 90% State pension allocation method:

- GASB funding levels are likely to become mandatory over time, in which case the City is that much further behind in full funding.
- A property tax freeze is highly likely to pass the General Assembly in which case the present level becomes frozen in future years.
- Contributing funds for part of the pension payment from the General Fund is a onetime fix. It leaves the City with an additional \$600,000 general fund hole in 2016
- Reducing the City's levy each and every year in response to EAV changes reduces our funding base. We therefore will have fewer dollars each year to meet ever increasing pension obligations.
- Reducing the City's levy each year seems to have little effect on other taxing bodies' behavior while decreasing our own funding base for City services.

Council members were provided an opportunity to ask questions and provide their opinion on the tax levy. Alderperson Klemm explained the issue this evening is not what the actual tax levy will be as much as whether the amount would go over the 105% to require a public hearing.

Alderperson McClanathan asked about the contribution to the IMRF. Mr. Price explained the IMRF levy was not as much as the expenses last year, so the Finance Director used part of the reserves so the amount that was levied last year was lower than normal.

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

Mr. Price explained that there has been an unusual amount of retirements in the Police Department that has contributed to drawing down the pension funds and this amount had to be made back up and so that is why you see the drastic change in the Police Pension fund because the actuaries have said that we need to make that back up.

Discussion was held as to the property tax legislation and the forecast whether there will be a freeze. Mayor Gitz explained that it has passed in the Senate and has been held up in the House. He recently met with the IML executives and the consensus is pretty even as to whether this will pass but there is a very good chance this will be approved in the next couple of months. He stated you can count on the property tax freeze to be a certainty. If we do have a freeze it will be a freeze at that level that is decided for this year. There is a provision in the levy noted in slide three proposed by the administration to give relief on the pension allocation. He noted there will be a push back from municipalities if there are further mandates to increase the pensions.

Aldersperson McClanathan asked how far behind is GASB (government accounting standards board). Mr. Price stated he does not recall that it has ever happened before to require a funding level at 100% instead of 90%, noting that the City has always funded the pensions at the required 90% so we have kept up to date thus far.

Mayor Gitz noted that if you do not fund the pension to the full requirement it have a factor on the bond rating. Mayor Gitz explained that he does not believe that you have to adhere to the GASB at the 100% level right here right now as long as each year you make the minimum contribution. The difference from last year is over one million dollars in additional pension funding if we went with the 100% GASP requirement. Mayor Gitz explained he had a conversation with John Vezzetti our bond consultant from Bernardi Securities and he provide a summary of that if the City does not fund at the full 100% it will not play a role at this time.

Aldersperson Chesney asked if the administration considered not raising the property taxes on any level. Mr. Price stated that the lowest amount they would recommend would be at the 2.37 percent. He explained that the difference between this option and a 0% would be a difference of \$58,000 so you would go further into the hole in your next budget from an amount of \$600,000 to an amount of \$660,000. This would need to be funded out of the corporate fund.

Discussion was held on the EAV. Mr. Price stated the actual EAV estimates are due by Stephenson County and he would expect the actual EAV to go down.

Aldersperson Miller recommended funding the pension funds in steps instead of going at 100% that perhaps the City could step up in gradual increases of 91% next year, 92% the next year. Mr. Price agreed that could be done and noted that if you stay at 90% then you will be underfunding the pensions.

Mayor Gitz explained he cannot see any way not to take a tax levy increase and even with the option presented this evening, the City will have to absorb \$600,000 in cuts. He explained that with the potential property tax freeze it will severely impact the services of the Police, Fire, snow plowing, street

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

maintenance, economic development interests. He does not want the City to rely on property taxes but it is important to consider what will have to be cut. These cut services will have an impact on future prospect of businesses as they consider Freeport.

Aldersperson Chesney stated as you are looking at the tax levy options it is important to remember that we can look at no property tax levy increase. He would like to look at the number for a 0%.

Aldersperson Chesney recommended a committee to begin looking at the budget.

Aldersperson McClanathan asked if it could be considered to use reserves to make up the difference. Mr. Price stated that whatever is not cut from the budget would need to come from reserves whether that amount is \$200,00, \$300,000 or \$600,000 that would be up to the council as they formulate the budget for next year.

Aldersperson Klemm provided an overview of the cuts to the budget and stated it was not a simple process and there are not a lot of place to cut into.

Aldersperson Chesney stated the State of Illinois is ranked 5th in the highest taxes for the States and the county is the 2nd highest.

Discussion was held if you are not going to raise taxes you will pay for it next year.

Aldersperson McClanathan noted that he has looked into the EAV with the county and based on the 2014 EAV it is at 86.3% from 2008. This puts a cramp on everything. The lower the EAV the more burdens are on the taxpayer. We are going to have to look at the shrinking EAV.

Discussion was held on the level of services expected by the community and that something has to give.

Aldersperson Klemm stated he would not support the option containing a 25.4% tax levy increase.

Aldersperson Klemm noted that as we move forward we need to be cognizant that the tax levy can be changed up until the night of passage but if we do not pass this resolution this evening then there will be no choice as to keep the tax levy under 105%. Mayor Gitz concurred and explained that if the resolution does not pass tonight then the opportunity is legally closed so the council will not be able to select a tax levy that is 105% or higher.

Aldersperson Klemm made a motion to move Resolution R-2015-67 on the floor for council action. This motion was seconded by Aldersperson Chesney. Aldersperson Klemm explained that a no vote means you will not have a tax levy hearing.

Mayor Gitz requested a roll call vote on adoption of Resolution R-2015-67. The motion to approve the resolution failed by a roll call vote of;

Yeas: None

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

Nays: Klemm, McClanathan, Ross, Miller, Busker, Brashaw, and Chesney (7)
Resolution R-2015-67 failed by Mayor Gitz stated there will be no public hearing for the tax levy.

Aldersperson Chesney requested to see a proposal with a 0% tax levy for the next meeting.

As requested by Aldersperson Miller the following item was moved forward on council agenda:

APPROVAL TO PAY THE INVOICE #291 FROM, PROROK LAW OFFICE, P. C., 1 COURT PLACE, ROCKFORD IL 61101
(Presented by Alderman Chesney/McClanathan)

Provided in the council packet was an invoice marked at #291, dated November 24, 2015 and due on December 24, 2015 from Prorok Law Office, P.C. It was in regard to "review of situation regarding the potential over payment of the Corporation Counsel". The invoice included a September 10, 2014 conference call with Cynthia Haggard (Finance Director) and Mayor Gitz regarding Sarah Griffin. October 3, 2014 an office meeting with Cynthia Haggard regarding documents concerning Sarah Griffin matter. October 9, 2014 review the documents provided by Ms. Haggard, did research on statute of limitation issues relating to repayment if it is determined that Ms. Griffin was overpaid. October 12, 2014 formulate and draft email to Cynthia Haggard regarding Prorok findings with respect to pay issue. October 19, 2015 travel to Freeport. October 19, 2015 was an invoice for attendance at Freeport City Council meeting at request of Alderman Chesney. October 19, 2015 invoiced for travel from Freeport. The total amount of the invoice #291 was \$1,883.34.

Aldersperson Brashaw made a motion to pay the bill to Prorok Law Offices, seconded by Aldersperson Klemm. Aldersperson Chesney asked Mayor Gitz if there was an agreement between himself and Corporation Counsel regarding her salary then why it was necessary to do an investigation not once but twice. Mayor Gitz stated the only issue before the council is this invoice and you made a motion to bring this before the council for payment. Mayor Gitz stated a motion has been made and seconded to pay this. He noted if Alderman Chesney wants to go through the investigation that is a separate matter. Aldersperson Klemm asked for the clerk to call the roll. Motion prevailed by a roll call vote of:
Yeas: Klemm, McClanathan, Ross, Miller, Busker, Brashaw, and Chesney (7)
Nays: none

Executive Session (Closed Session) Pursuant to 5 ILCS 120/2 (c)

City Clerk Zuravel read aloud the following exception pursuant to 5 ILCS 120/2 (c) (1) The appointment, employment, compensation, discipline, performance, or dismissal of specific employees of the public body or legal counsel for the public body, including hearing testimony on a complaint lodged against an employee of the public body or against legal counsel for the public body to determine its validity
(Requested by Alderman Chesney/McClanathan)

At 7:00 p.m., Aldersperson Brashaw moved to enter executive session, seconded by Aldersperson Klemm. The motion to enter executive session prevailed by a roll call vote of:
Yeas: Klemm, McClanathan, Ross, Miller, Busker, Brashaw, and Chesney (7)
Nays: none

MINUTES
SPECIAL MEETING
Monday, November 30, 2015

At 8:15 p.m., Alderperson Brashaw made a motion to return from executive session, seconded by Alderperson McClanathan. The motion prevailed by a roll call vote of;

Yeas: McClanathan, Ross, Miller, Busker, Brashaw, and Chesney (6)

Absent: Klemm (1)

Nays: none

Upon motion duly made and seconded, the meeting was adjourned at 8:16 p.m.

s/ Meg Zuravel

Meg Zuravel
City Clerk