

CITY OF OLNEY
SPECIAL CITY COUNCIL MEETING
DECEMBER 16, 2013

AGENDA #1 "CALL TO ORDER" The December 16, 2013 special meeting of the Olney City Council was called to order at 7:00 p.m. in the Council Chambers of the Olney City Hall located at 300 S. Whittle Avenue, Olney, Illinois, with Mayor Ray Vaughn presiding.

AGENDA #2 "ROLL CALL" The following Council members were present: John McLaughlin, Barb Thomas, Brad Brown, Bob Ferguson and Ray Vaughn. Also present were City Manager Larry Taylor, City Treasurer Chuck Sanders and City Clerk Belinda Henton.

AGENDA #3 "ORDINANCE: TAX LEVY" The Council was provided with two spreadsheets prepared by Mr. Sanders. These spreadsheets detailed three different tax levy options. Mr. Taylor reviewed the spreadsheets.

Option #1 allocated an additional \$156,062 to pensions. Option #2 only allocated an additional \$64,968 to pensions. Option #3 did not allocate any additional funds to pensions only what was recommended by the state actuarial report. Councilman Brown pointed out even without a tax levy increase most of line items except pensions would increase.

Concerning the under funding of the pensions, Councilman Brown commented it is like trying to hit a moving target because no one has an idea how pension will work out. Last year the City's pensions were under funded by \$6,000,000 and this year they are \$10,000,000 under funded even though the City levied the state recommended amounts.

Mr. Sanders commented the state's goal is to have the funds 90% funded within 27 years.

Councilman Brown added that there are a lot of things going on in Springfield that will address some of these problems. Councilman Brown was concerned with the citizens being hit by several increased tax levies by the different taxing bodies and also hit with higher water and sewer rates. Councilman Brown supported Option #3 which would result in a 3.559% tax levy decrease.

Councilman McLaughlin met with State Representative David Reis to get his take on what is happening in Springfield. Representative Reis thinks the General Assembly will only consider the pension problems in Chicago.

Councilman McLaughlin asked how the City became \$10,000,000 under funded. Mr. Sanders explained he went back ten years, and in total the City has funded the state's recommended amounts for the pensions. The large jump in under funding from last year to this year is largely due to the change in actuarial assumptions. While talking to two different

actuarial firms, they confirmed that the state's method disproportionately pushes the funding to future years. Approximately every 15 years the state is extending the time horizon to have the pensions 90% funded.

Councilman Ferguson questioned when was the last time the pension funds were not under funded. Mr. Sanders' research indicated they have been under funded for the past ten years he investigated, but not to the extent they are now.

Councilwoman Thomas believed the City cannot continue to rely on the state's calculations. A third party actuary needs to be hired as soon as possible.

Mayor Vaughn appreciated Councilman Brown's comments as a tax paying citizen, but in reality the under funding is the Council's obligation. He did not want to make the under funding worse for future Councils. Reducing taxes assumes the problem will not get worse. He preferred to go with the original proposal of the 4.99% increase with an additional \$156,062 being allotted to the pension funds. Hopefully, between now and next year the Council will have a clearer picture of the situation with the assistance of a third party actuary. If the under funding is not as big of a problem as assumed, next year's levy can be backed off without endangering the pensions. He believed Option #1 was the responsible thing to do along with pushing the obligation for water and sewer to those funds.

Councilman McLaughlin agreed with Mayor Vaughn. He believed the Council needs to chip away at the under funding. He also believed the Council should formally send a letter to the state representatives and asked that they support something in Springfield to deal with this issue.

Councilman Ferguson agreed with Mayor Vaughn. The last two years the Council kept the tax levy from going up which was positive for property owners, but with the concern for the growing pension liability, he did not believe that can be ignored.

Mayor Vaughn moved to approve a tax levy with extensions of \$1,916,609 and tax rate of 1.9226 for a 4.99% increase, seconded by Councilwoman Thomas. Councilman McLaughlin, Councilwoman Thomas, Councilman Ferguson and Mayor Vaughn voted yes. Councilman Brown voted no. The motion carried. Ordinance 2013-42 will be prepared.

Councilman Brown thanked the staff for all the time they have taken to prepare the various worksheets for the tax levy.

AGENDA #4 "APPROVAL: INSURANCE BROKERAGE FEE AGREEMENT" The Council was provided with a revised resolution and premiums/fees comparison spreadsheet for the City's insurance. The initial quote for 2013/2014 was \$200,457. At the last Council meeting there was discussion about a fee agreement instead of a commission with Arthur J. Gallagher & Co.

AJG went to the companies that provided the proposed insurance coverage and negotiated the brokerage fee. The brokerage fee will now be a flat fee of \$17,000 which will save the City \$13,997 from the original cost proposed at the last meeting. If the proposed resolution is approved, it will repeal the resolution approved at the last meeting with the higher brokerage fee and authorize a three-year agreement for the lower fee of \$17,000.

Councilman McLaughlin moved to approve Resolution 2013-R-63, seconded by Councilwoman Thomas. Councilwoman Thomas, Councilmen Brown, Ferguson, Mayor Vaughn and Councilman McLaughlin voted yes. There were no opposing votes. The motion carried.

AGENDA #5 “RESOLUTION: CANCEL DECEMBER 23, 2013 COUNCIL MEETING”

Councilman Ferguson moved to approve Resolution 2013-R-64, seconded by Councilman McLaughlin. A majority affirmative voice vote was received.

AGENDA #6 “CLOSED SESSION: CONDUCT INTERVIEWS FOR THE POSITION OF CITY CLERK” Councilman Brown moved to adjourn to closed session to conduct interviews for the position of City Clerk, seconded by Mayor Vaughn. A majority affirmative voice vote was received.

Councilmen McLaughlin, Brown, Ferguson, Councilwoman Thomas, Mayor Vaughn, City Manager Taylor and City Clerk Henton left the Council Chambers at 7:33 p.m.

Councilwoman Thomas moved to enter back into open session, seconded by Mayor Vaughn. A unanimous voice vote was received. Open session resumed at 8:51 p.m.

No action was taken as a result of the closed session.

AGENDA #7 “ADJOURN” Councilman Brown moved to adjourn, seconded by Councilman McLaughlin. A unanimous voice vote was received. The meeting of the City Council adjourned at 8:51 p.m.

Belinda C. Henton
City Clerk