

CITY COUNCIL

October 9, 2002

ROLL CALL - PRESENT:

Alderman Newman
Alderman Jean-Baptiste
Alderman Wynne

Alderman Bernstein
Alderman Moran
Alderman Engelman
Alderman Feldman

A Quorum was present.

**NOT PRESENT AT
ROLL CALL:**

Alderman Rainey

ABSENT:

Mayor Morton and Alderman Kent

PRESIDING OFFICER:

Mayor pro tem Edmund B. Moran

A SPECIAL City Council meeting was held Wednesday, October 9, 2002 in the Council Chamber at 7:12 p.m. for the purpose of considering the 2003-04 General Fund budget.

City Clerk Mary Morris announced in the absence of Mayor Morton, nominations for the election of a Mayor Pro Tem were in order and, in accordance with Council Rule 14.7, Alderman Edmund Moran was next on the list of aldermen by seniority who have not served as Mayor pro tem.

Alderman Feldman nominated Alderman Moran, moved that nominations be closed and that Alderman Moran be elected Mayor pro tem. Seconded by Alderman Engelman. Motion carried. No nays.

Alderman Engelman moved that City Council convene as a Committee of the Whole. Seconded by Alderman Feldman. Motion carried. No nays.

City Manager Roger Crum announced the meeting was to discuss policy direction to staff for the 2003-04 budget.

Alderman Engelman, Chairman, Budget Policy Committee, explained that at the beginning of budget deliberations last year Council was asked to establish a budget policy. That policy capped the tax increase for General Fund revenues at no more than the tax caps of 3.25% and directed the City Manager that if expenditures exceeded revenues with only 3.25% increase in General Fund taxes, that he must report back to Council with budget cuts and service reductions. Last year they went through a long process with citizens and debate on the Council floor on the 2002-03 budget. He reported they are at about the same place this year and prepared to give the City Manager directions. This meeting was to see where the budget is and discuss whether problems can be resolved by tax increases or service reductions.

Mr. Crum stated staff would give Council a first look at projections for the 2003-04 budget, remembering they are five months away from it. There is six months history on this year's budget. He said the problem is real and was not due to the City's economy but to the state and national economies. He explained that the State of Illinois affects Evanston because income tax money goes to the state and is shared on a per capita basis statewide. When Motorola laid off 1,000 workers, it affected Evanston. The City received an update from the state indicating it is in a recession that will continue.

Management & Budget Director Pat Casey presented a first look at General Fund Expenditures. He stated this year's budget for salaries is \$45.7 million and next year is \$46 million with merit increases and no cost-of-living increases. Medical insurance and retirement costs are \$8.9 million this year and show a 12% increase to \$9.4 million next year. This gives total personnel costs of \$54.6 million this year and \$55.6 million next year. Staff anticipates an increase in non-personnel costs this year of \$17.7 million to \$18.7 million. This includes increases in utilities, cost of materials, etc. The City anticipates a \$74.3 million budget in 2003-04 for the General Fund. He stated a 1% cost-of-living raise to all General Fund employees would cost \$457,000 and goes up exponentially: 2% is \$914,000, 3% is \$1.3 million, 4% is \$1.8 million and 5% is \$2.2 million.

Finance Director Bill Stafford presented General Fund Revenues. He reported three official revisions on state revenues to date. The third notification indicated the long anticipated economic recovery has failed to materialize and numbers indicate a deepening recession rather than a bottoming out or an upturn in the Illinois economy. He said all would suffer as a result of that. He showed the current 2002-03 budget and projections, plus the projections for 2003-04 for General Fund revenues. Total budgeted for 2002-03 was \$72.3 million and \$72 million is projected, which staff believes is manageable. Next year's revenue projection is \$71.3 million and has to do with the state economy. He noted nobody would deal with the state budget until after the election. He outlined the issues the City faces. Three direct taxes will hurt Evanston for next year. These are collected by the state, put into a pool and allocated to municipalities based on population, so Evanston actually exports income tax to the state. One is the photo processing tax of \$150,000, which the state has cut out and kept. All municipalities lost the photo processing tax. The use tax has been reduced so Evanston lost \$80,000 and the newly revised income tax is down \$500,000. Those three total \$730,000 that Evanston will not have next year. Another is the natural gas tax of 5%, which is based on the price of natural gas. The BTU price of natural gas has dropped. That revenue was \$1.3 million two years ago and now looks like it will be \$800,000 due to de-regulation. On taxes alone, he sees a reduction of about \$1 million. In licenses and permits, there is substantial reduction due to a fall off in building permit fees. The City is losing close to \$100,000 in cable revenues because of a change in law. The City got close to \$600,000 last year. Fines are okay. Under service charges, there is a reduction of \$600,000 due to a change in nomenclature. There was an infrastructure maintenance tax and effective January 1, 2003, it will no longer exist, and will be shifted to the telecommunications tax of 6%. He noted that recreation, library revenues and transfers were fine. Other revenues are down due to investments. A year or so ago they made 2-3% on investments and now the best is 1.5% on Treasury bills. He said compared to this year, they will have \$1 million less in revenues. General Fund property tax increases were given: 2% would raise \$291,000 and 10% would bring in \$1.4 million.

State revenues are a concern. July 2002 sales tax revenues were higher than July 2001 sales tax revenues. For about 12 months the City has received less sales tax money compared to the prior year's month. There is a hope the recession is bottoming out. On the decrease in income tax, staff saw it coming in July 2001, but the magnitude was not anticipated. The state anticipated a 5% decrease in revenues and, as of this date, revenue is down 20%. There is some deterioration in building permit fees. The City received \$2-3 million the last couple of years; \$1.4 million is estimated for 2003-04. That has to do with the three largest entities in town whose projects are almost complete. The real estate transfer tax is still solid and the question is what will happen with house sales, which are starting to slow down. They will keep an eye on the transfer tax and natural gas. A recent trade article predicted a colder than normal winter that could mean increased prices for natural gas which is bad for the consumer but good for the City. On the price of electricity, the City is in good shape; ComEd has asked for several increases. The good news is the sales tax is solid; budgeted at \$12.7 million and anticipates getting \$13.1 million this year and \$13.4 million in 2003-04. He said the Evanston local economy is good. He noted a \$500,000 gap in the state income tax; a \$300,000 gap on natural gas utility tax due to de-regulation; the telecommunications tax is up and the \$600,000 is due to a shift and was budgeted in another place. The infrastructure maintenance fee and telecommunications tax were put together by the state and are now one. The building permit revenue was budgeted for \$2,042,000, which they anticipate receiving. Next year building permit fees will be down by about \$500,000 and are anticipated at \$1.4 million. He noted that building permit revenues have not been below \$1 million since 1996-97. In the last several years, the point was discussed that these revenues would go down.

Mr. Crum presented a preliminary forecast outcome table. He noted with 0% property tax increase and 0% personnel cost increase, there is a \$3.5 million budget deficit for 2003-04. The matrix showed property tax increases from 0% to 10% and personnel cost increases from 0% to 5%.

Alderman Newman expressed frustrated with the projections. Before permit fees were raised last year, he asked staff what a normal year is without big projects and was told \$1.6 million; said the information supplied was inaccurate and the projection was off also. He stated that Council couldn't solve a problem unless they know what it is and are given the right targets. He said six months ago it was projected they would have \$72.44 million in revenues. August 26, they were told they had a \$3.5 million problem based on revenues expected last year. Now that is reduced by \$1.5 million. He said Council is not getting the right information and that makes it difficult to believe any number when they constantly change. Alderman Newman thought they needed to go over every line item. He said parking meter revenue from downtown was for half of the fiscal year with \$243,000 projected and now will be a whole year, so it should be up. He understood revenues were up in the water department, recreation and sales tax.

Mr. Crum explained that evening's charts had the most up-to-date figures. Alderman Newman asked total projected revenues? \$71.3 million. Mr. Crum said predicting building permit fees two years ahead with accuracy was difficult. He said \$1.6 million was a worthy goal but they are not there. Alderman Newman had requested building permit revenues for 10 years; wanted to know what a normal year would be without large projects and was told \$1.6 million without the 1% increase in fees. He suggested all projections need to be looked out.

Mayor pro tem Moran stated they were striving to talk prospectively about what they will do in the coming budget cycle. Mr. Crum reminded all that he is required to present a balanced budget to Council on January 1, 2003, which he will do. If there is policy guidance Council thinks appropriate, recognizing some uncertainty with numbers, acceptable and unacceptable areas to look at, he would be pleased to receive such guidance. He asked if they want the traditional Saturday morning work sessions or move to Monday or Wednesday nights?

Mayor pro tem Moran noted the Budget Committee has been getting data and it became clear there would be some challenges. The committee thought it best to convene as a whole Council early on, rather than wait for the next calendar year so staff can get direction from Council, to have a sense of parameters to work with. The large issues they need to confront early are:

- What is an acceptable range of tax increases?
- Acceptable range of personnel services increase?
- Programs that can or cannot be looked at for significant reductions?
- New revenue sources?

Alderman Rainey asked staff to go over actual half-year revenues and explain extraordinarily higher or lower revenues if they are lagging or seasonal. Mr. Stafford stated the City would get close to 100% on the Athletic Tax of \$500,000, which is remitted once a year. Alderman Rainey confirmed NU generates this tax and keeps it until February when the audit is done. Mr. Stafford explained the main revenue (\$400,000) comes from football games with extensive documentation. He explained on the natural gas utility tax there was more money due to the higher price of gas, while this year they believe it will be \$900,000. It was budgeted for \$1.1 million. That one lags. On the cigarette tax, last year most of the money came in right away. Cigarette tax money comes in quarterly and will meet projections. He said the municipal gas tax is in relatively good shape. It is behind last year and the estimate reduced from \$350,000 to \$320,000, which has to do with less gas consumption. The liquor tax was upped to \$1.4 million. There is a lag in reporting, but it is doing well. They are ahead on the parking tax and believe they will get \$1.2 million, significantly more than last year. The real estate transfer tax is significantly ahead of last year and the projection was increased from \$2.5 million to \$2.7 million. That will be watched closely due to slowing of the housing market but the condominium market is strong. The Home Rule Sales Tax will make a projection of \$4.9 million, but could come in higher. Part of the reason that is higher is because the City has a full year of the extra quarter percent. That tax changed in June 2001. The natural home rule gas tax will come in at \$300,000. The Telecommunications Tax will run higher because effective January 1, that 5% will go to 6%. He thought the 15 taxes in miscellaneous would be on target. He said the City is in good shape on licenses and permits and will get a big bump on licenses, which have not come in yet. Fines are about on target. Services charges are ahead of last year and in good shape. Revenues from other agencies, which include grants, are on target. Other revenues are behind last year due to lower interest earnings. Transfer from other funds will come in as projected. Recreation will be slightly under but there were strong beach revenues. Library revenues are on target.

Alderman Jean-Baptiste wanted an explanation of the building permit fee revenue projection of \$1.6 million for a normal year and why that came in under projection.

Community Development Director Jim Wolinski stated that predicting building permit revenues over the past three years has been difficult but pleasant because they were high. One issue they always wrestle with is making projections on projects that have a 50/50 chance of coming in. When the projections are made, he talks to the hospitals and University about what is on the drawing boards for the next year. What was not anticipated in 2001-02, when they projected \$1.6 million but brought in \$3 million, was the \$80 million of condominiums that came in. Most were permitted late in 2001. Since projections are developed the summer before, they did not know about them. For the current year, the projection was slightly over \$2 million. They are at \$900,000 now. There are major projects at the University, hospitals, the 1930

Ridge residential project and Dominick's townhouses, which should be permitted before this fiscal year ends so they will make the \$2 million projection. The 2003-04 projection is based on the Sherman Plaza project coming in. They figure about \$90-95 million in construction value in Sherman Plaza and are not figuring in any other condominium projects because they don't know of any. He explained when they calculate building permit fees, they know about \$400,000 annually will come from porches, additions, decks, etc. Then they look at what is in the pipeline. The City has been fortunate these past three-four years because there were always projects from the University or hospitals and for the past two years private development has been prominent. To answer the question of what an average year is without major projects has been difficult because they have not had an "average" year for five years.

Alderman Newman said when they were projecting at \$2 million, last year finance asked them to come down from \$2.1 million to \$1.6 million. The reason was that \$1.6 was a normal year but it was not. Because of that, Council bumped the number up to \$1.75 million. They should have been told that a normal year was in the \$1 million range. He said it was hard to work with staff unless they have the right goals. Alderman Newman said they are being told they will be \$1 million down on last year's budget numbers. If six month figures are added, last year they were at \$57 million and this year they are at \$57 million. What they are saying is the \$1.5 million decrease will happen in the next six months.

Mr. Stafford said they believe they will be down \$500,000 in building permit fees, get less income tax, no \$175,000 photo finishing tax and a decrease of \$100,000 in the use tax. Alderman Newman noted they were ahead \$300,000 on the telecommunications tax. Mr. Stafford said the telecommunications tax will be close to \$3.6 million, but had to reduce the Infrastructure Maintenance Fee of \$600,000 because that tax no longer exists, which is a shifting of taxes.

Alderman Engelman confirmed that revenues for 2003 were budgeted at \$72.34 million. Based upon current figures, they will meet that projection with the exception of \$300,000. The \$1.5 million they were discussing is for projected revenues the City won't get based upon elimination of the photo finishing tax, lower income tax, transfer of the telecommunications tax and slow down in building permits. Mr. Stafford said staff predicts they will get about \$72 million revenue this year. The 2003-04 projection is \$71.3 million, about \$700,000 less. Alderman Newman disagreed; said all these taxes, with the exception of building permits, should be down in the current fiscal year. Other revenues have compensated, so they are on target except for building permit fees. Aldermen Engelman and Rainey pointed out building fees will not be at \$1.6 million but at \$2 million. Alderman Newman asserted if those taxes are down, they should be down this year but are not and questioned whether the projected \$1.5 million in lower revenues will happen.

Alderman Engelman stated these revenues are expected to go down even further next year. Mr. Stafford stated these taxes are down this year and other revenues are compensating for that. Alderman Engelman said whether the problem is defined as a \$5.5 million or \$4.5 million problem, it was important to have accurate figures and is still a huge problem. He noted Mr. Crum has said, leaving aside salary increases (salaries are 75% of the budget and will be negotiated with all unions this year) and property taxes, there is a \$3.5 million problem. If they assume a 3-4% increase in wages to unionized employees, the gap goes to \$5 million. If a property tax is imposed of 4%, they bring it down to \$4 million. He asked them to remember all the service cuts discussed last year. If they had cut all of them, \$800,000 would have been saved, which is a quarter of the problem they have. He suggested the need to recognize that they have a problem and what will they do to address it. Will they talk about property tax increases and at what level? Are they willing to discuss service cuts and, if so, in what areas?

Alderman Newman stated that Alderman Engelman was putting out misinformation; last year significant budget cuts were made. Alderman Newman recalled the City Manager cut over \$1 million, and Council cut emergency assistance, victim witness, and rates of increase in salaries. Alderman Engelman stated that the manager will come in with reductions to ensure that staff and operation of the City is the most efficient possible. In response to Alderman Newman, Alderman Engelman stated the Council made \$173,000 in cuts last year.

Mayor pro tem Moran urged colleagues to get on with what they would do in the near future in adopting a 2003-04 budget. Alderman Newman said the community has to have accurate information and the problem is not as large as Alderman Engelman said it is. Alderman Newman asked if the \$3.5 million figure stated at the August 26 meeting assumed a 5% increase in salaries? He thought it was 3% increase in revenue and 5% increase in expenditures. Mr. Crum stated a wage increase was in that number. Alderman Engelman stated a 5% increase in wages is a \$6 million problem.

Alderman Newman said according to information received Friday, instead of a 5% increase in the wage package, if they increased 2%, they would get a savings of \$1.4 million. If that was subtracted from \$3.5 million they are down to \$2.1 million. A 4% increase in real estate taxes saves another \$600,000, which takes it down to a \$1.5 million problem. He suggested a \$1.5 million problem is much different than a \$3.5 million problem and until they know exactly what the number is, it was difficult to give direction. He did not want to give direction based on a \$5 million gap. Alderman Engelman, looking at the outcome table, noted with 0% increase in wages and property tax, the gap was \$3.5 million and asked Mr. Crum to explain how he came up with those numbers.

Mr. Crum stated staff took the same numbers, went through them again, modified the building permit revenue upward by \$400,000, and looked at what part of the wage increase that was not included in the base and came up with that number; said it was today's best guess. Alderman Newman asked if a freeze is done on all departments, what would be saved? Mr. Crum said it would depend on the definition of no growth. The double zero percents meant no new positions across the board and no increase in cost of living but allows for an increase in medical insurance costs. If he meant to stop filling positions that was different. The status quo was presented. Alderman Newman said if the problem is \$3.5 million and add 2% to wages, they save \$1.4 million so they have a \$2.1 million problem. Then a 4% increase in real estate taxes, they take off \$600,000, they are at \$1.5 million and, with a general freeze, would be down to \$500,000.

Alderman Wynne asked Alderman Newman to explain if they are at zero-zero and there is a \$3.5 million gap, a 2% wage increase raises the deficit to \$4.5 million. Mr. Crum explained that things are confusing because in August they saw a \$3.5 million deficit with a wage increase before they had revenue figures. Alderman Newman was working with the budget calculation worksheet figures sent on Friday; said an increase of approximately 5% was given last year in wages and health benefits. Mr. Casey said the current budget is \$72.3 million and non-union personnel got 3½% and union personnel 4%. He explained a 5% wage increase for 2003-04 would cost \$2.7 million. Mr. Casey said if there is no increase in wages and property tax, the City has a \$3.5 deficit. With a 2% wage increase and a 4% increase in property tax, the deficit would be \$3.9 million. Alderman Newman noted the number was off by \$500,000. Mr. Casey said the difference of \$450,000 in revenue was added when they recalculated building permit fees. The outcome table is the latest calculation and when they project figures they move a bit.

Mayor pro tem Moran asked Council if they wished to talk about acceptable ranges of wage or property tax increases, what is on the table and what is not. Alderman Newman said the wage question was not proper for an open session of Council. Alderman Rainey said that personnel issues are confidential, but every page in these reports has implications of wage increases. They cannot ignore that the largest part of the budget is personnel costs and she noted there is information out having to do with these costs. She asked if they could request budget memos? Mayor pro tem Moran said they were not at that point, but sought broad policy direction. Alderman Rainey, in considering costs to citizens, suggested that Council re-examine water and sewer. She understood the City's obligation to repay the IEPA loans but they are at a point where almost every citizen is assessed \$100 monthly, in addition to property tax, for water/sewer charges. This could mean giving some relief in the summer on the sewer charge for water not going into the sewers. She thought all had received calls from residents about these charges, which are regressive.

In response to Alderman Jean-Baptiste, Mr. Crum explained that staff came to the \$3.5 million deficit by going back to every department, getting new expenditure totals and going through every revenue item line by line to give the best estimate at the present time. Alderman Jean-Baptiste asked if departments could submit a wish list with their budget? Mr. Crum said a wish list was allowed as a separate request and was wiped out. What they have in front of them is a zero-based budget with no increases except necessary cost of living in utilities, etc., which have to go up. Alderman Jean-Baptiste wanted potential losses and increases in expenditures itemized that amount to the \$3.5 million. Mr. Crum went to current General Fund expenditures, which show \$72.3 million, and the 2003-04 budget is \$74.3 million and went through the increases. Alderman Feldman confirmed the difference is \$2,043,000 in expenditures. He went to the General Fund revenues, which show \$72.3 million budgeted for this year. The current projection is close and normally they would expect the projection for 2003-04 to go up by 3%. Instead they project \$71.3 million, \$1 million less than the current year's budget. Mr. Crum stated the City is in a \$3 million deficit position due to a combination of expenditures/revenues without wage increases.

Alderman Bernstein subtracted the numbers and came up with a \$3,084,000 deficit. Staff was looking for the \$500,000

discrepancy. Alderman Newman noted that last year the City came in \$1 million over the budget. Mr. Stafford said audited numbers show about \$590,000 over budget came in. Alderman Engelman asked if that was not due to anticipated building permits that were shifted from 2001 to 2002. Mr. Stafford agreed and noted the \$500,000 is the merit calculation which was not on one of the charts. Mayor pro tem Moran suggested that between the handouts on Friday and Monday, perhaps the merit increase was not included on the expenditure side. Alderman Jean-Baptiste was not prepared to discuss cuts based on information received.

Alderman Engelman said that the Budget Committee wanted to give direction to the City Manager through a budget policy that would be recommended to Council, then discussed and adopted. Last year when the committee brought forth budget policy to Council, they set a property tax increase of roughly 3.25% for the General Fund as acceptable, knowing there would be a 6% increase for debt service and the 5% range to fund fire/police pensions. The overall increase would have been in the 4-5% range. That forced the City Manager to recommend service cuts. The Budget Policy Committee wanted to do the same thing this year. What level of tax increase is palatable before beginning to deal with service cuts or other revenue increases? He noted most have received their property tax bills. All felt a significant bite and have heard from constituents. He could point to the fact that the overall tax bill went up 15%, the City's portion went down, so it must not be the City, it is somebody else. Even if the City holds the line, people's property taxes continue to rise and the City's portion is a drop in the bucket compared to other entities. As aldermen, they cannot afford to see the City's portion of the tax bill go up 7, 10, 15 or 20%. The \$3.5 million figure is a first look and may not be the final figure without wage increases. All can give an opinion on what is a reasonable wage increase. He noted the City Manager has always found ways to make the organization leaner, but even if the line is held with no increases that forces reductions that come about from suppliers, they are looking at a property tax increase of 10%. A 10% increase raises \$1.5 million. To raise \$3 million is a 20% increase in the City's portion of the tax bill. He noted that was only a 4% increase to the average taxpayer. Maybe that is what they want to do because the alternative of cutting services is so unpalatable because those services are important to the community. He thought that was the debate they need to begin to have. How far up are they willing to push taxes and how many revenue sources and service cuts are they willing to explore? If the Council is willing to have a 20% tax increase in the City's portion, which is a 4% increase on the tax bill, the press will report the 20% because it is more dramatic. He thought 4% was huge. If they are not going to raise taxes, Council needs to give the City Manager service cuts they are willing to allow him to explore. He conceded services were cut last year but many suggestions were off the table. Instead of getting the public riled up with something they will not do, if they are going to cut services, start early and tell the manager what services are not off the table.

Alderman Newman suggested that Alderman Engelman recommend what to cut instead of passing the buck to other Council members, tell what should have been cut last year that wasn't. What would Alderman Engelman have done differently? Alderman Engelman spoke last year about increasing liquor revenues. He said rather than discuss cuts in individual programs, he would urge them to talk about policy and areas they should examine. He suggested they talk about a zero-based budgeting concept. He recalled 125 services were prioritized. Instead of cutting the bottom 25 or 10, last year the City Manager targeted the bottom 10 or 15. Alderman Jean-Baptiste said the majority of proposed service cuts targeted the African-American community. Alderman Engelman suggested they talk about what to keep, instead of what to cut. What is important to Evanston? Maybe they will find that *everything* is important to this community, so as a policy, a 4% property increase is palatable. He said they could take the list of 125 services and ask all aldermen to rank the top 100 and see what falls off or how much it costs to provide those services.

Alderman Newman said last year there was a combination of budget cuts and revenue increases. Council did not take all the budget cuts suggested by the manager, because many thought that the recommended cuts hit the poorest people here. Six aldermen have voted for all 125 services for the past 10 years and every service they voted for was important; suggested they have to get specific. He made specific recommendations but was unable to get Alderman Engelman's support. Alderman Newman suggested the Human Relations Department, on which \$500,000 is spent, could be combined with personnel and \$400,000 saved. Several years ago privatizing sanitation was suggested, which would save \$1 million annually, and did not go over. What Alderman Newman heard on August 26 was that the rest of the aldermen did not bite the bullet in terms of cuts. He agreed with Alderman Engelman that some budget cuts were needed and asked him what he would cut? Several aldermen suggested police officers in the schools and branch libraries.

Mayor pro tem Moran did not see this as a meeting to get specific reductions; said the Budget Committee sent

information about policy that the committee has made over the past 18 months. If the Budget Committee came up with suggestions that were not palatable, Council and staff will lose too much time, thus they were getting together to talk about policy direction to the City Manager.

Alderman Newman said the approach last year was that Council recognized the need to make cuts and threw it to the manager, who came up with a list of cuts that were mostly rejected. He suggested specific cuts be given to the City Manager and asked him what he would like? Mr. Crum stated that management would like any direction Council would like to give for a budget that is most acceptable and has the greatest chance of getting six votes. If there is no direction, then he is faced with guessing what might be acceptable and would do that.

Alderman Feldman suggested to have meaningful direction they needed consensus, which meant in one evening they would have to determine what it took months of budget hearings to do. He said one person suggesting something and another something else was not direction and has no relation to what Council would do at the end of this process. The idea of getting direction on what to cut or setting a limit on raising taxes was the same thing. It would require, that evening or after another meeting, for Council to give consensus, which is the endgame not the beginning. He said that was serious and they have not heard from any constituency group. He asked how could they identify programs without discussion and the people involved here to talk about it. He said the process has just started and would not make suggestions now that he would make in January and February.

Alderman Jean-Baptiste thought they were at an early stage. He noted between Friday and Monday, projections changed and they were short \$500,000. During the discussion they found the difference was not \$3.5 million but \$3 million. A quick review showed staff had not included cost of living, etc. He was not comfortable with the numbers given and needed to ask more questions and have follow-up discussions before coming to the table. He said this was a preliminary analysis of the problem and another meeting was needed.

Alderman Wynne agreed that Council members had a lot to digest; said even if they found \$1 million, the gap is still \$2.5 million. This Council has a larger problem to deal with than any other time she has served on Council. She thought they were trying to come up with a methodology that will bring them to the decisions that Alderman Feldman spoke about. She was not ready to put forth a program; noted that almost everything done in the City is valuable and has a constituency. With numbers like these they will need tough solutions. What was discussed at the Budget Policy Committee was the method for what will have to be eliminated from the budget. One way to do that is to look at what functions they cannot live without. What are the core functions of the City? She did not think the methodology would be developed at this meeting; asked how can they reach consensus without tearing each other to shreds and come up with consensus on some issues and fight it out where they disagree? She recommended another meeting soon.

Alderman Rainey said they should not diminish a \$1 million cut because there remains a deficit. The \$1 million cut last year would cost \$1 million plus this year. One million is real money and what is cut this year does not have to be spent next year, whether it is \$100,000 or \$1 million.

Alderman Bernstein thought because 125 programs have lasted for 10 years, every program is a core program. The reduction/elimination of any program will hurt somebody. As a policy alternative, a 1% reduction in expenditures would be \$750,000. He asked about an across the board cut rather than eliminating anything. Do they want to cut back everywhere and treat all in a similar manner so no one is encumbered greater than others? He thought it obvious that at the lower end, such as the Summer Youth Employment Program, that a 2-3% reduction has an impact. He did not think anyone on Council wanted to cut anything, otherwise programs would be gone by now. He would ask each department to cut back a bit. He recalled the Sanitation Division was asked to cut \$250,000 several years ago and did so. He did not think they would reach a consensus, but a decision by six. People say a good deal is made when everybody hurts a little bit. He sees a lot of condominium construction in the pipeline that eventually will generate tax dollars in the future and saw better times ahead. They would get no help from the state or federal governments, but he was hopeful of help from Cook County.

Alderman Feldman recalled last year when the budget was proposed, one guideline was what does Evanston provide that other municipalities do not? He learned that the things that Evanston does that others don't, makes Evanston different

and they want to keep that difference. Instead of being discarded, they seemed to be more essential but he was not suggesting that cuts could not be made. The idea of core things like police, fire, library, garbage pickup, and without these other things the character of the City would alter. That is the dilemma they face. He believes everything that is in the budget is important and adds to the quality of life of people who live here.

Alderman Engelman thought the last speakers had done an excellent job of defining parameters of the issue they are facing. What are core services and are the services provided core services? What makes this a community all want to live in? Does the City want to be all things to all people? What differentiates Evanston from communities where they don't want to live? Across the board cuts have been done for a number of years. They need to dialogue with citizens that the City Manager and Council are doing the best job to get the biggest bang for the buck. As they look around at parks, do they look they way they want? Are trees being trimmed?

Alderman Newman did not agree with across the board cuts; thought it would mean elimination of 3-4 sworn police officers. He noted this was the second meeting in which Council was to give direction. At the August 26 meeting the deficit was \$3.5 million and now is at \$4.5 million. He said at some point they will have to cut specific services. Giving direction to cut half expenditures and raise revenues by half presents the problem of what revenues to raise, which are at maximum levels. The City Manager will do what he did last year to cut \$2 million. He said at some time specific opinions on specific services will have to be expressed. He would not support cutting police officers in schools. When cutting raises was suggested last year, they were told they were creating a caste system, however suggestions of cutting the police officers in schools and branch libraries were good faith suggestions. He said cuts they tried to make were politicized and that will happen this year. They could come up with criteria such as, what services serve the fewest people? Immediately the Teen Baby Nursery comes up because \$80,000 is spent on 20 families. When they look at duplication of services, the Community Defender comes up because there is a Public Defender. The Fair Housing Commission duplicates what the Illinois Department of Human Rights does. At some time they must meet and make specific suggestions; suggested fire/police are core services. Council must decide what is the criteria for cuts.

Alderman Rainey suggested when Council discusses cuts or tax increases, that each Council member make a commitment that they be allowed to pursue those discussions without being cut off early on. Because at the outset one or three Council members think something is not eligible to be discussed as a cut or is a most important service to a ward, that others acknowledge the right to discuss those suggestions.

Mayor pro tem Moran was hearing the need to digest information, get more information, make suggestions on protocols such as duplication, across the board cuts or doing what other communities don't do.

Alderman Rainey referred to a memo regarding budget meetings in neighborhoods; suggested no announcement be made about the October 22 budget meeting because she chaired a committee that was meeting that night and wanted to attend the budget meeting. Alderman Jean-Baptiste thought it premature to go to the community with a problem that they have not yet come to understand or have unity on. He did not think the community meetings would do much. He recalled last year's meetings drew revenue generation ideas, what should be cut and priorities from citizen participation.

Alderman Rainey suggested aldermen who wish to have neighborhood meetings should be able to have them; wanted a meeting now, noting there is much misunderstanding about the City's budget.

Alderman Engelman said meetings last year were to gauge citizen reaction to a set of proposals to solve budget problems. The meetings this year are designed to educate citizens about budget issues and to gain feedback from them as to what citizens think the City is doing right and not doing right and, true, there was not consensus about the problem. They need to go out now so that by January they have their arms around the problem.

Alderman Feldman was getting different definitions of what these meetings will be about. He heard from staff that the meetings are an attempt to educate citizens about the City's budget situation and solicit comments, which was not what Alderman Engelman said. He heard it was an attempt to share information and try to explain what the City is facing, where revenue comes from and where it goes. If that was the case, he was eager to participate. He also wanted the meeting at the Levy Center when he could attend.

Mayor pro tem Moran recommended people do what they are comfortable with; did not expect to find solutions at these meetings, but they would give information and hear from constituents. He noted the difficulty of making these decisions and was more comfortable with decision-making when he hears from constituents. The question he would ask is, what does the City do well and what does it do poorly? What do residents care about? After hearing answers he would synthesize his thinking about decisions.

Alderman Jean-Baptiste suggested another Council meeting so they understand the depth of the problem. Discussions continue with constituents. He suggested staff do some analysis and that they meet to share information.

Alderman Feldman asked to chair/facilitate a budget meeting in the 9th Ward.

Alderman Newman said the community meetings are great; appreciated there would be none in the 1st Ward; did not think the Council meetings accomplished anything nor was the City Manager getting any direction from Council. He asked if there was any plan for Council to get together before January? He will meet with the City Manager and others to go over the numbers; would not cut cable; would not go back to community purchased services, which were cut last year; does not support an additional liquor tax and would look at major departments that duplicate services.

Mr. Crum said the bottom line is a \$3 million deficit. He suggested that each alderman come to the next meeting with a list of how they would shave the deficit by \$2 million.

Alderman Rainey asked if staff ever goes over services offered by the City; are encouraged to look at services that are least used or services that have outlived their usefulness or services that should be increased? Mr. Crum indicated they have those discussions. He said they get those with small utilization that affect those who need the services the most that are small in number. The historic problem is, some groups get service not provided in other communities but here it is a valid service to a small group. The cost/benefit to that group is high. Last year he was forced to put a list of those on the table of services least utilized in the community, not that they were not important. If he had his way, he would add \$4-5 million to the budget to do some things better. He does not like to present Council with this type of budget. All would prefer to improve services.

There was discussion of possible meeting dates. Alderman Newman suggested the follow up Council meeting after the community meetings and Alderman Jean-Baptiste suggested before the community meetings. Alderman Bernstein thought they had a consensus that there is a problem but did not know the extent; thought it relevant to explain the process and the disparity between revenues/expenditures; wanted a follow-up Council meeting after the community meetings. He liked the idea of a protocol for criteria. Alderman Engelman suggested they find a date for the follow-up meeting at the regular Monday Council meeting. Alderman Engelman said list of cuts/revenues from each alderman was a good idea and suggested they submit their lists anonymously. Alderman Newman objected to that.

There being no further business to come before Council, Mayor pro tem Moran adjourned the meeting at 9:55 p.m.

Mary P. Morris,
City Clerk

A videotape recording of this meeting has been made part of the permanent record and is available in the City Clerk's Office.