

**CITY COUNCIL**

**November 18, 2002**

**ROLL CALL - PRESENT:**

Alderman Jean-Baptiste  
Alderman Bernstein  
Alderman Moran

Alderman Engelman  
Alderman Rainey  
Alderman Feldman  
Alderman Newman

A Quorum was present.

**NOT PRESENT AT  
ROLL CALL:**

Alderman Wynne

**ABSENT:**

Alderman Kent

**PRESIDING OFFICER:**

Mayor Lorraine Morton

A SPECIAL City Council meeting was called to order by Mayor Morton on Monday, November 18, 2002 in the Council Chamber at 7:13 p.m. for the purpose of considering the 2003-04 General Fund budget. The City Council voted to hold the special meeting at the October 28, 2002 Council meeting.

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

City Manager Roger Crum stated this workshop would update Council and focus on revenues. He asked that the revenue picture be agreed upon conceptually so staff can work on expenditures to put together a budget, which must be presented by December 31. Staff has worked on all aspects of the budget and was looking for ideas that they will start packaging after this meeting to put into a form that will be least objectionable. This is a difficult period with a semi-recession, state revenue problems and it will be a difficult budget. He was sure there would be things some will not want in the budget but it is their job, as in the past, to adopt a balanced budget and maintain a good credit rating. Certain revenues will be tracked closely for another three months so there may be adjustments.

**Budget Status**

Mr. Crum noted they are slightly better off than they were a month ago. Current expenditures are \$72.3 million. For next year, after putting in necessary merit/step increases of \$422,000, projected medical premium increase of \$561,000 and non-personnel cost increases of \$1.06 million, they project with no cost-of-living wage increases expenditures of \$74.3 million. Preliminary revenue projections are \$71.9 million based on existing revenue sources with minor adjustments, no major change in rate structures and no property tax increases. The preliminary gap is \$2.4 million prior to any wage increases. A 2% wage increase for all employees would add \$1 million to the problem making the gap \$3.4 million. He reminded all that they do not have a deficit because they always adopt a balanced budget. These were projections and corrective action was necessary to have a balanced budget by March 1.

Alderman Feldman asked about the non-personnel cost increases. Mr. Crum explained those are goods, services, utilities that must be increased for the following year. He said they have reviewed those expenditures line by line and eliminated anything unnecessary. It is the cost of doing the same things they currently do not related directly to personnel costs. In response to Alderman Feldman, Mr. Crum said this was not done on an average percentage basis, but by line by line. Submittals were about \$2 million and anything new was taken out. Those costs would be gone over again this week.

**Preliminary Projected Revenues for the General Fund**

Finance Director Bill Stafford recalled when they met in October, the revenue number was \$71,302,045, which has been adjusted upward. About \$287,000 was added on building permits, \$200,000 in parking meter revenues due to expanded meter hours and other transfers of \$136,330. The number they were starting with was \$71,925,375. He noted that number is less than this year's budget. The state faces about a \$3 billion deficit. In terms of revenues it is \$1.5 billion below last year and the first time in 20 years the state has had less money coming in. He recalled last year when revenues ran low, municipalities lost the photo finishing tax. While not predicting they would lose more, the Illinois Government Finance

Officers Legislative Committee, of which he is a member, met recently in Springfield to look at the situation. He recalled in the mid 1980s when the state was in a similar crisis, they delayed sending income and sales taxes to municipalities from four to six months. He was not saying that would happen, but those are the kind of measures that could take place. He noted they were leaving the property tax the same as last year and would deal with that later. On the prior year's property tax, they have gotten \$100,000 but moved it down to \$25,000, which has to do with the Property Tax Appeals Board challenges that have reduced that number over the past few years. The State Use Tax is a tax on out-of-state goods where taxes are collected on items such as catalog sales. It was reduced to \$670,000 and reflects the state's economy. The State Sales Tax is up to \$8.1 million and reflects a vibrant downtown.

Alderman Newman asked if the state could decide in the middle of the year to disperse less sales tax? Mr. Stafford stated the state cannot decide to remit less sales tax, but can delay sending the tax that has been collected. When there was reform of the State Sales Tax, under Dawn Clark Netsch, the sales tax went from a local tax to a state tax that the state gave to municipalities. When that happened the state could legally intercept the cash flow of taxes. This tax is based upon sales that occur here and is a projection of the local economy. While the state's number is going down, Evanston's is going up. Alderman Newman asked whether Mr. Stafford was using this year's performance on this projection. Mr. Stafford explained he was using this year's performance, increasing it only 1-1/4% for next year, assuming some growth. Alderman Newman confirmed that when they get closer to doing the budget, the nine-month numbers could go up or down. A good year projection could go to \$8.2 or \$8.3 million or, if not, down to \$7.8 or \$7.9 million. Mr. Stafford commented that they have to be prudent because this is predicting what will happen next year. Alderman Newman said sales tax figures given at the last meeting showed the tax came in at 49% without Christmas; thought there was a chance they would outperform the projection.

Mr. Stafford stated the Athletic Contest Tax was due to events mainly at Northwestern and flat at about \$500,000. The State Income Tax has hurt the state and Evanston the most. They started the year at \$5.3 million and now project at \$4.6 million. He explained this tax goes into one pot in Springfield and is allocated on a per capita basis so that Evanston is a net exporter. Evanston's per capita income is about 50% greater than the average state per capita income, but the City does not get that amount back. Evanston gets a proportionate share, as do other municipalities. The projection is \$4.8 million, a slight growth, and they watch this closely. The only month that was slightly more than last year was August. He said the state was looking closely to see when the recession bottoms out. Alderman Newman thought unless they know something new, the tax was collected at a 48% rate for the first six months, as last year. They were down 2% in the first six months and he thought the projection was low and would end up closer to \$5.1 million. This was another revenue in which they would have better numbers after nine months. He thought they would only be down 4% based on the six-month numbers and could be \$200-300,000 low. Mr. Stafford stated the projection was based partially on what is coming in but has to do with the state per capita number that the City received from the Illinois Municipal League and the state budget office. Mr. Stafford noted this revenue number has been revised four times. Alderman Newman asked if they could get information from the state as to how this will perform. Mr. Stafford could supply IML numbers and is in close contact with the IL Department of Revenue. Staff will follow up.

The Electric Utility Tax will go up slightly; used to be a 5% tax but now is a 10 schedule per therm tax. If ComEd gets a 5% increase in rates, this could go up. They will keep an eye on that. The Natural Gas Utility Tax has been volatile due to de-regulation. He said there is talk of a 30% increase per therm this winter. But overall many places have a locked in fixed rate contract, which has caused a reduction in this tax. That is projected at \$800,000.

The Cigarette Tax has been the same for the past several years and is flat. Alderman Newman said it hasn't been flat because six-month numbers showed 68% was collected. Mr. Stafford explained that tax does not come in regularly. Retailers will wait until they have inventory, then come in. He recalled getting \$200,000 in the first three months one year and \$100,000 in the last three months and \$200,00 during the last nine months another year.

At this time Alderman Wynne was present.

Alderman Bernstein asked when funds are deferred, does the City get interest? No. Mr. Stafford said retailers will buy a supply of say \$100,000, put the stamps on cigarettes and use for four-five months. Retailers pay this tax up front so there is no carrying cost. Alderman Bernstein asked if there was interest on delayed dispersal of the sales tax? No.

The Municipal Gas Tax is the City's two cents per gallon tax and has gone down slightly to \$320,000 due to a decrease in the cost of gasoline. The Liquor Tax is strong and was increased slightly. They believe there will be more due to later hours but there was some lag. The projection is \$1.4 million. The Parking Tax is projected at \$1.2 million. Mayor Morton noted the 2002 Parking Tax collected was more than \$1.2 million and budgeted at \$950,000 for the year so that projection was increased to \$1.2 million. Mr. Stafford reminded all that the Sherman Avenue garage would be closed. Alderman Newman remarked that not all permit holders would choose to park at the Maple Avenue Garage. Some may go to other private lots or take the train. The Real Estate Transfer Tax was budgeted at \$2.5 million this year and the projection increased to \$2.7 million. The projection is \$2.5 million for next year, based on the economy and the housing market. They assume the market will hold and will monitor this closely. This has been a banner year for real estate sales. Alderman Engelman said when building permit projections are done it includes a list of some large building permits. He asked if something similar is done on the transfer tax? Mr. Stafford said the current database in the Clerk's office does not allow a lot of analysis and will be converted to an Access database with the new financial software to provide more analysis. Alderman Engelman asked that a list of large properties be included in the transfer tax projection.

Mr. Stafford said this is the first year they have a feel for the Home Rule Sales Tax at a full 1%. There is a significant increase because the Evanston economy is strong and the state is just beginning to collect taxes from vendors where the state was not collecting both taxes. The projection is \$5.3 million and results from efficiencies in collection by the state. The Natural Gas Home Rule Tax is flat and projected at \$300,000 (.95 per therm). The Telecommunications Tax is going up. It used to be in two places in the budget as a Telecommunications Tax and Infrastructure Maintenance Fee, which was 1%. Those two are combined in a new simplified tax of 6%. They project \$3.6 million and the bad news is this starts in January and, due to the state's delay, the City won't get this tax until April. Other taxes are flat at \$841,500.

Vehicle licenses are projected at \$2 million, which reflects the increased \$60 wheel tax. Building permits are projected at \$1.6 million. There has been discussion of these fees and it is believed the base amount is \$1 million. The \$600,000 is for development projects and needs to be watched this year and next. Other licenses and permits have stayed relatively flat and are related to economic activity. Parking tickets showed a slight increase, partly due to increased hours on parking meters with more tickets issued downtown. Alderman Newman noted another \$200,000 was put in on parking. He thought they had not acknowledged the tickets they will get from extended meter hours; did not think the \$2.9 million included four additional hours of ticket writing from 8-9 a.m. and from 6-9 p.m. and was substantially low. They know a certain amount is collected for every ticket issued. He hoped for a more realistic number in the manager's budget. Mr. Stafford cautioned that they need to see the \$2.9 million this year; noted the City is getting up and running on the extra hours on parking meters. Alderman Newman thought there would be growth there. Other fines showed a small increase. Service charges were down about \$600,000 and was due to reclassification (Infrastructure Maintenance Fee). Revenue from other agencies was down and had to do with grants. He noted the City is getting in more grants and many are capital grants rather than operating grants. Other revenues showed a decrease, which in part is due to lower interest rates. Transfers from other funds is up and part of the increase is due to the parking fund transfer. Recreation revenues were based on recreation programs at \$3.8 million. Library revenues showed a small increase to \$408,000.

Alderman Feldman asked why revenue from agencies decreased by almost \$200,000? Mr. Stafford stated that is based on grants and one that is falling off is the police grant of about \$180,000. This is the last year of a three-year grant, which is the main decrease. Alderman Feldman asked if those are the same kind of grants the Recreation Division gets? Mr. Stafford said those grants do not show up unless they are operating grants. Many recreation grants are capital grants.

Alderman Feldman noted a number of cautions about increased projections and the possibility that some would decrease and asked when they will have more definitive figures? Mr. Crum said something more definitive would be in the manager's proposed budget. The first budget session in January will have the latest numbers and a month later than the numbers in the manager's proposed budget. Alderman Feldman asked if increases in fees were contemplated? Mr. Crum stated they would go through smaller fees with staff to see if anything was appropriate. If it is a major fee, such as a doubling or new fee structure that would be brought back to Council as an option.

Alderman Newman said he has spent considerable time looking at the budget on the expenditure side and appreciated staff's work. In speaking to various department heads, it has been stressed to him that the \$1 million cut by the manager last year had substantial impacts on staff. What was done was to go through everything and cut so operating some of

those departments is more difficult. When the manager goes through the departments again, it will affect the ability to deliver services. He asked that the manager go through a similar analysis as last year and try to find citywide a number that will work. He was confident there would be some additional cuts but convinced no crisis exists. He thought the City was in the aftermath of 9/11 and the state has problems. He said there is a coherent plan that a significant number of Council members will support once they get all the numbers. He saw tough decisions ahead, some things will be cut that they don't want to cut and some fees would go up that some may not like. He said there is a need for more work and wished the City Manager luck. He suggested one cut that would not affect services is the Economic Development Fund. That fund was created 15-20 years ago when the City had trouble with economic development. He believed that fund does not have anything to do with economic development, which is driven by the economy and the City continues to have excellent development. That fund has \$577,000 in it this year and some salaries are paid from it but at least \$200-300,000 could be put on the cut side. He asked Mr. Crum to look at that.

Alderman Rainey suggested whether they have a crisis or not could be definitional. There is a crisis in the community with the residential taxpayer she said. She went through PIN numbers and various addresses randomly and found cases where the second tax bill was double the first bill. One couple's bill on Emerson went from \$800 to \$1,700. She found an owner on 2200 block of Sherman whose bill went from \$3,900 to \$5,900; an owner on 1400 block of Brummel went from \$2,000 to \$2,700 and one on the 1000 block of Elmwood rose from \$3,500 to \$4,200. She did the same in commercial districts and large downtown properties outside the TIF. She found reductions of taxes from 4,000 to \$9,000. She stated that the residential taxpayer is starting to shoulder a burden that is almost overwhelming. She does not deny the commercial taxpayer's the right to appeal their taxes or reduction of their rate, but they have to recognize that single-family homeowners are burdened. She knows people whose tax bill has gone down but a majority here were hit by overwhelming tax increases when they were told not to worry that the rate would go down and the burden would be spread. She asked the percentage of the General Fund from residential taxpayers and how much of a burden it is now versus the beginning of the year and the reduction for commercial properties and its effect on the residential tax base?

Alderman Rainey asked what is projected this year for increased cost of contractual sanitation based upon new construction and condominium conversions? She asked the cost of an individual pickup and an analysis of the cost for six-unit buildings and above. She understood those buildings receive twice a week pickup of refuse, where single-family homeowners and 1-4 units get once a week pickup. She asked for an analysis of the cost to provide refuse service to condominiums versus single-family homes.

Alderman Newman asked for a report on the special pickup program, how it has worked and revenues. He noted there is one more 10% increase in the sewer rate coming and wanted to see an alternative to that. In the 1<sup>st</sup> Ward, due to litigation, a major project is not going forward as expected. Millions are not being spent due to this litigation. He suggested they do what they can to defer or stretch out a rate increase and not put another 10% increase on sewer rates. He wanted to see all alternatives, including getting an increase down to 2% or 5%. He said since that rate increase was passed, they must have better numbers.

Alderman Rainey noted a significant increase in expenditures for yard waste collection and disposal. She asked what the cost savings would be if they went to once a month yard waste collection? Are there comparable cities that don't have yard waste collection and when required to separate yard from household waste went to another system?

Alderman Jean-Baptiste asked if Council would receive ideas from rank and file employees as to how to address the deficit? Mr. Crum stated that nothing has been compiled. All City employees have been addressed; they have met with bargaining units and are inviting ideas from employees. Should he get ideas that are worthy of note, he will pass them along. He said employees are still trying to understand the problem, the options and what he has is informational.

Alderman Engelman announced the last budget outreach session to educate residents on what the budget problem is, was the next evening at Levy Center at 7:00 p.m.

Alderman Feldman asked for a budget memo on the Recycling Center, cost to pay off the debt and to maintain it. He understood they are using it for storage and was there any thought of using that building as part of recreational programs in harmony with James Park and making income from it?

Alderman Rainey asked about a recent incident involving the recycling center. Parks/Forestry & Recreation Director Doug Gaynor said on Saturday morning staff discovered a front-end loader had been vandalized, driven through community gardens, two fences and two panels at the top of Mt. Trashmore and left at the top of the hill. In the future, it will be parked in the recycling center building. He believed vandals had hot-wired it to start it.

There being no further business to come before Council, Mayor Morton adjourned the meeting at 8:17 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.