

ROLL CALL - PRESENT:

	Alderman Wollin	Alderman Holmes
	Alderman Jean-Baptiste	Alderman Tisdahl
	Alderman Wynne	Alderman Rainey
A Quorum was present.	Alderman Bernstein	Alderman Hansen

**NOT PRESENT AT
ROLL CALL:**

Alderman Moran

PRESIDING:

Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton Saturday, January 12, 2008, 9:11 a.m. in the Council Chamber for the purpose of conducting a Budget Review Workshop on the FY 2008-09 Proposed Budget.

2008-09 Proposed Budget

City Manager Julia Carroll went through the budget schedule; noted the annual budget is a policy document that determines the financial and operating priorities for the coming fiscal year; reported that it has been another difficult year putting the budget together for the same reasons that were highlighted last year. The City has two major financial issues. The first is a structural gap between revenues and expenditures that has repeated over several years, caused by revenue growth at a rate slower than expenditures. Staff has emphasized the need to take a longer term approach. Over the past two years, budget staff has made various suggestions to deal with the structural gap but a more wide-ranging discussion is needed by the City Council. They need to give staff direction on the core values Council holds for services. This is the second year of a three-year plan to align expenditures with revenues. Staff will continue to look for ways to become more productive and efficient where there are opportunities. Costs are driven by the services delivered by people. Staff worked with labor unions and employees to reduce the cost of employee health insurance in the amount of \$650,000 in this budget from plan changes. The second issue is pension funding. The primary reason for the increase in property taxes is the need to increase funding to the fire/police pension funds. The unfunded liability is estimated to be between \$127 million (Illinois Department of Insurance) and \$140 million (the City's actuary).

Other Budget Concerns State and local economies, plus actions of the state legislature, need to be watched. Pension difficulties are partly due to additional benefits that significantly increased costs since 2000. The cost of goods and services has risen. The Municipal Cost Index increased 3.1% and the Consumer Price Index rose 4.1% as of November 2007. Another concern is loss of federal or state grants due to fund reduction or diversion.

The Economy Ms. Carroll noted that we face a recession and even the revenue numbers the City has may be difficult to achieve. The housing market is down compared to a year ago and economists predict it will not rebound until early 2009. Sub-prime credit concerns have affected people's ability to sell or refinance their homes. Consumer confidence is low due to the poor housing market, tighter credit and marketplace layoffs. The state budget continues to be uncertain so those shared revenues are still at risk. There are wage and contract issues with 4% contract increases.

Evanston Economy Building permits are forecast to decrease by 2.49% due to the housing market. Sales tax is projected to increase by 1.11% and the Home Rule Sales tax is projected to increase by 0.67%. Income taxes per capita revenue are forecast to increase by 4.84%, as predicted by IML and are subject to change.

How the budget was balanced All personnel needs and programs were reviewed carefully. Non-salary and benefit lines were kept to a minimum. Property taxes for the general operating funds were raised less than 2.5%. Staff recommends cutting nine vacant positions. Some new and enhanced revenues are recommended such as licensing of rental units to fund property inspections; an increase in vehicle sticker fees and business license fees.

Annual Cost of City Government The cost is up and the annual proposed budget for all funds is \$213.6 million primarily due to the pension funds.

Organizational Restructuring In FY 2007-08, the Human Relations and Facilities Management departments were eliminated and absorbed by existing departments; the Management, Business & Information Systems Department was eliminated and absorbed by the City Manager's Office, Finance, and Health & Human Services. Those changes brought permanent budget savings of \$475,000; eliminating clinical health services resulted in \$1 million permanent cost savings.

Future Years Staff will continue to become more efficient, innovative and reduce expenditures where possible; do more with the same resources and evaluate processes continuously; review all vacant positions as they occur to derive the best overall organizational structure. Council must make difficult decisions on which services to keep and which to cut to reduce the overall tax levy.

2008-09 General Fund Budget Review The General Fund Budget is \$94.5 million. After transfers to Police and Fire Pension funds are deducted, the increase is 4.3%. The increase is due to higher labor costs, and an increase in elm tree inoculations as this is the third year of the triennial cycle. Real estate taxes are 19.81% of the tax dollar. Evanston is a full-service community. When compared to other communities, some do not include park and library districts, but the city or village portion of the tax levy only. When compared equally, looking at city or village, library and park district tax rates to other north suburban communities, Evanston's tax rate is in the middle. Ms. Carroll showed the City's percentage share of the property tax, which has gone from 26% in 1987 down to less than 20% currently.

FY 2008-09 is a difficult year. Debt service \$10.1 million; General Fund \$17.4 million; with placeholders for Fire pension \$5.6 million and Police pension \$6.8 million, which raises property tax by 15.1% with 71% due to public safety pensions. She did not want to add this, but has a responsibility to put what is required actuarially into the budget.

Ms. Carroll gave a breakdown of 2008-09 proposed General Fund Revenue. The real estate transfer tax is down because of the housing market. They project \$9.1 million sales tax; project the state income tax to increase 4.8% to \$6.5 million; project the Home Rule Sales Tax at \$6.5 million. Utility taxes are expected to be flat at \$8.5 million because people are becoming more energy efficient. As more people go to cell phones, the telecommunications tax is anticipated to remain flat. The real estate transfer tax for 2007-08 was estimated at \$3.9 million and, with the sale of the Park Evanston, they will hit that projection. For 2008-09 the projection is \$3.7 million. Building permit revenue is sensitive to and heavily dependent on development. They project \$2.8 million this year and \$2.7 million for next year. Fines consisting of parking ticket, library, false alarm and administrative adjudication are projected at \$4.6 million (parking ticket fine increases are built into this budget.). Charges for services include recreation and library revenues, health department and ambulance fees are projected at \$8.3 million. The Community Development Block Grant provides reimbursement for some personnel and costs at \$856,000. The Health Department receives grants for \$379,000 and other grants are \$409,600.

New Revenues – Community Development

Community Development Director James Wolinski noted the City has not charged in the past for historic preservation review. As historic areas have grown with more than 2,200 buildings, there is no cost recovery for the Preservation Commission or planner. Estimated revenue from historic preservation review fees is \$8,000.

Residential Rental Dwelling Unit licensing at \$40 per unit is proposed (14,000 units inspected per year). This has been proposed on several occasions He recommended Council seriously consider this because it can help to maintain and improve the rental housing stock; allows the City the power to withhold licenses from properties that have continual code violations or criminal activity. It complies with Strategic Plan Goal #2 to create policies that result in a well maintained, diverse housing stock; complies with Strategic Plan Goal #11 that defines Evanston neighborhoods and ensures they are safe, clean and attractive. The City currently licenses rooming houses generating annual revenue of \$193,000. The cost of the City's housing inspection program is nearly \$700,000. Licensing would recover the cost of the housing inspection program by bringing in about \$560,000. Two new positions would have to be added, so the net revenue would be \$449,000. Other Illinois communities license rental units.

New Revenues - Public Works

Public Works Director David Jennings explained \$30,000 is revenue enhancement by increasing the cost of an additional garbage cart purchase. Currently they undercharge for the second cart. The additional cost of \$2.50 is for emptying the second cart, which is \$100,000 (only for households with a second cart). The third item is the SWANCC Recycling Incentive. SWANCC has a contract with Groot, the City's recycling hauler, that provides money be rebated to the City for material that Groot sells which would generate \$100,000. A recommended sanitation service charge increase from \$5.00 to \$6.95 per month will generate \$423,200. The idea is to get the cost of *collection* not of the total program. The total program costs more than twice this amount. The recommended expired meter fine increase is from \$10 to \$15, which would generate \$252,100. Evanston is the lowest in the area for this fine. Staff recommends that the Sanitation Special Pick-up Fee be kept at \$25.00 and, if additional buckets are used, instead of charging \$5 for each bucket; raise it to \$10 per bucket which is more realistic. That increase would generate \$30,000. Raise the residential parking permit fee from \$10 to \$15 per year, which will generate \$35,000. The charge has been \$10 for 10 years. Staff recommends that the Snow Emergency Ticket and Tow per storm be increased from \$25 to \$35 for tickets issued during a snow emergency. This would generate \$18,500. Other revenue enhancements include a CDBG to General Fund transfer increase of

\$73,366; increased annual business license fee of \$63,500 and a vehicle sticker fee increase from \$60 to \$75 per year to generate \$495,000.

General Fund Expenditures

The General Fund budget for 2008-09 has increased 8.95% with more than half of that for a Police and Fire pension transfer from the fund balance of \$4,036,700. If the pensions are removed, the General Fund increase is 4.30%. Overtime was cut by 11%, with 72.3% of the General Fund for labor costs. The General Fund has about a \$50.2 million payroll. Full-time and permanent part-time wages increased by \$1.68 million or 3.45% from 2007-08 to 2008-09 proposed. Contract wage increases are still at 4%. Public safety pension fund costs have increased due to aging population, legislative changes and poor market performance. The good news is the IMRF rate will decrease slightly in 2008 from 2007. IMRF pensions are fully funded and cover all employees except police and fire.

Early Retirement Incentive Last year staff projected cost savings of \$5.5 million over ten years or \$550,000 per year. With 103 employees eligible to retire early, it was estimated that 31 would take ERI. So far during 2007-08, 21 have taken ERI and in 2008-09, 12 people will take ERI between March 1 and June 30, 2008, when the window expires.

Requests Not funded Due to the high property tax increase for the pensions, the manager did not fund several requests that will disappoint many people. One is the Mason Park neighborhood request. The City put some programs into their base budget; one is a free basketball program and a couple other things. They will put in a City-sponsored after-school program that would be open until 6 or 7:00 p.m. and an after-school drop-off program of about three hours a day. Those were part of the neighborhood request of \$108,000. She recommended cutting Sister Cities funding of \$5,000. Health & Human Services requested the Inclusion Specialist go from 30 to 40 hours a week, which could not be fulfilled. Water & Sewer asked for a Civil Engineer position that was not included because there are no fees to offset the cost. The M/W/EBE Committee was interested in a local employment program and requested CDBG funds. She did not feel the City could afford it and, if people feel otherwise, that could be addressed during the policy discussion.

Insurance Fund Staff anticipates \$2,950,500 in claims, worker's compensation and premiums.

Firefighter's Pension Fund Total budget is \$9 million and operating budget is \$4.9 million. Everything they collect is reserved for future pension payments as required by state statute, which is \$4 million.

Police Pension Fund Total budget of \$11.5 million and operating budget of \$6.9 million. The future pension payment reserve is \$4.6 million.

Parking Fund Expenditures are anticipated to be \$3.7 million. Fee increases for monthly parking rates and meters approved by the Parking Committee have been included in the budget.

Alderman Wynne clarified the increase of the meter fine from \$10 to \$15 was not approved by the Parking Committee. Staff felt that \$250,000 is needed and the fine has not been increased for some time. What is included is the \$85 per month permit fee and the increase in meters in the downtown from 0.50 to 0.75 per hour.

Alderman Rainey pointed out that aldermen didn't have the benefit of the Parking Committee minutes.

Water Fund No rate increase is projected for 2008-09. The operating budget is \$13.8 million, a decrease of \$279,000 from the 2007-08 appropriation. CIP project funds are not included and will require revenue bonds for 2008-09.

Sewer Fund No rate increase is projected for 2008-09. Operating budget is \$17.4 million, a decrease of \$967,600 from 2006-08. This does not include CIP project funds and will require issuance of revenue bonds in 2008-09.

Fleet Services Fund \$2 million is needed to fund replacement equipment purchases. Two ladder trucks were up for replacement this year but Fire Chief Berkowsky and Fleet Services Manager Lonnie Jeschke found a way to hold off on those. The operating budget is \$5.3 million, an increase of 21.8% from the 2007-08 appropriation.

Motor Fuel Tax Fund The operating budget is \$3.1 million and funded by the state Motor Fuel Tax.

Emergency Telephone The operating budget is \$1.9 million and is funded from the wire and wireless surcharge. The City received the Infrastructure Maintenance Fee settlement of \$112,522.95 from the lawsuit and was placed in the fund within the past few weeks. That came through a committee coordinated by the Northwestern Municipal Conference.

CDBG Operating budget is \$2.1 million and funded by the federal Community Development Block Grant.

Economic Development The operating budget is \$1.8 million and is funded by the Hotel and Amusement Tax. A full-time Economic Development Director position is recommended for 2008-09.

Summary The proposed budget represents the second year of a three-year effort to reduce the structural and financial gap that has affected the City for years. To reduce the proposed tax levy increase to less than double digits, either additional revenues or major program cuts must be considered.

CITIZEN COMMENT:

Junad Rizki, 2767 Ridge Ave., stated the budget is the usual status quo of increasing taxes and fees. He warned Julia Carroll that she was doomed to fail since she would have to work with the City Council presenting a budget with a 15% tax increase and numerous fee increases, which has been the operating standard here for years rather than restructuring the City's operations. The structural and pension problems have existed for years. In 1992, the Chamber of Commerce pointed this out in "The Diet" when the major budget item was excessive staff. City staff is at a higher level now than when "The Diet" was published. Over the years he has pointed out that Evanston has some of the highest taxes and fees of anyplace around. Recently, Bill Smith pointed this out in his *Evanston Now* articles. Nothing has changed. "The Diet" also predicted a future pension problem. Now is the future. He asked the newspapers not to print statements by the mayor and aldermen claiming they care about the taxpayers. He asserted that anyone knowledgeable about the City's operations knows the Council has possibly given approval for this budget. A 600-page budget is not created without some approval. When he re-roofed his house this summer he hired a Jamaican to haul away the debris. The man worked three jobs. He asked Council members if they expect the man to get a fourth job in order to live here?

Mayor Morton refuted his allegation that the City Council does not care about taxpayers.

Sue Canter, 3151 Harrison St., spoke on behalf of the Evanston Mental Health Board (MHB), noting it is acutely aware of the budget issues facing the City. They asked for an additional 15% in funds, the second such request in 13 years. In November, mental health representatives met with Ms. Carroll to discuss the request for additional funds and the manager agreed to include it in the budget. This past Monday, the Human Services Committee approved their request for an increased allocation by majority vote. The board asks the Council to approve the recommendations. They know that the services provided by the mental health agencies are critical to the families who use them. This past year 7,100 unduplicated citizens used the services of various agencies, which represents about 9.6% of the City's population and 85% of those served are of low-income. For many residents, the increased cost of fuel and food in the slumping housing market are negative factors in their lives but doesn't affect their very survival. For the vulnerable that live here, these financial stresses are often the breaking point. These are often the very individuals served by the mental health agencies. Lately, almost every issue of the *RoundTable* or *Review* has included articles or letters about how individuals with low incomes are afraid they will be squeezed out of living here. Many of these families have lived here for generations and make this city rich in diversity. The need for support services only increases in the current stressful economic environment. The importance of funded agencies was reflected in a recent community survey. Mental illness is identified as the top community health concern. Mental health ranked sixth in identifying total health needs. All funded agencies support Goal 13 of Evanston's Strategic Plan that addresses basic needs such as healthcare, food and housing. Many agencies support Goals 2, 3, 8 and 12, which support diverse housing and employment, collaborative partnerships, and youth engagement. Although all MHB agencies have sought other funding, dollars from the board are essential to support programs and services that really make a difference for Evanston families and individuals. She urged City Council to support their funding recommendations in the spirit of making Evanston truly the most livable city in the nation.

Gerald Gordon, 1228 Lake St., asked the Acting Finance Director a couple of weeks ago for an Interim Operating Statement for the 10 months ending December 31, 2007. He has not seen it; did not know if Council has that information and how could Council consider the proposed budget without knowing how the current fiscal year is likely to end? Will there be a surplus of revenues over expenditures again? It seemed to him that is a critical element in these discussions. He recalled that 2006-07 ended with an increase in the General Fund balance of \$1.3 million, which brought the Fund Balance on February 28, 2007 to \$26.1 million. Now staff proposes to use \$4 million of that Fund Balance to reduce Police and Fire Pension obligations, which will reduce last year's Fund Balance of \$22.1 million, still about \$14.2 million more than the Budget Policy Minimum Fund Balance (.085 x \$94,562,100) requires. He asked why they have not proposed a more aggressive use of more of that Fund Balance for the pensions or for taxpayer relief.

He recalled in previous proposed budgets there were several pages describing the entire list of full-time employees FTEs and changes by department. He saw no such charts in this budget and that, too, is critical information as well as the list of vacant FTE's. Last year at this time, he observed that there were nine FTE's that had been unfilled for a year or more and those budgeted-but-vacant FTE's would result in a tax increase of about \$750,000, which would go directly to the Fund Balance. That vacant FTE information is needed as well.

With a roster of more than 200 police personnel, he suggested it would be possible to reassign two of those FTE's to the newly proposed Tactical Unit. That could allow the elimination of the now vacant Deputy Chief position and save approximately \$175,000 in current costs and untold dollars of future pension costs.

The complacency and resignation displayed last year as Council discussed a proposed 6.51% tax increase was astounding. Now Council is discussing a 15.15% increase plus fee and fine increases. He asked Council if they think taxpayers' pockets are bottomless and why they do not demand and/or propose ways to substantially reduce that increase. He strongly urged voters to vote "no" on the referendum to increase the Real Estate Transfer Tax for fire and police pensions. Those obligations are everybody's not just sellers of real estate. The increase will raise a negligible amount.

Jessica Clarke, 1506 Florence Ave., has worked with the Mason Park Neighborhood Association to address needs in their community and use of the vacant field house. She was discouraged by the city manager's decision not to include funding for programs and activities for the field house in the proposed budget.

She encouraged Council to look at the priorities proposed by this budget – do they fulfill and enable the Youth Initiative begun only a year ago? Do the resources used meet the needs in Evanston? Is the downtown the heart of Evanston or are the neighborhoods? What is available to children, seniors, families and youth?

She asked if Council feels certain that resources are used efficiently and effectively in Evanston. Do details indicate that Evanston manages taxpayers' money well? Have all revenue options been explored? Do proposals impact middle and low-income residents disproportionately?

She asked why projects are started without any apparent purpose. How well thought out are programs, projects and activities that are recommended to Council? Exhibit B on page 21 is not all that is needed at Mason Park.

James Compton, past president of the Chicago Urban League, told her at a health clinic opening that "starting is easy, but making it last is hard work." It is about making a lasting difference in the community you serve. She encouraged Council to act thoughtfully on all aspects of this budget, particularly on incorporating the Mason Park proposal into the budget.

Jeanne Lindwall, 625 Library Pl., recalled last year as various planning studies were being funded, added them up and since adoption of the strategic plan, this Council has approved more than \$1.5 million for planning studies for the lakefront, Ladd Arboretum, the downtown, Central Street and the West Side. None of these plans have come out with zoning recommendations that can be implemented. As a planner, she has mixed feeling about this; looked in the budget for planning studies and, other than the West Side effort, it was hard to determine if there is anything else. She spent the 1980s putting together the Capital Improvement Program; favored capital improvement and, since it is in the budget, looked at it. She noted a transfer for services from capital improvement to the General Fund for \$300,000. It appears that long-term debt is being used to pay operating costs. (Hoped she was mistaken.) She was not sure why they would want to pay interest on General Fund staff services. When they put together the capital improvement budgets in the 1980s, there was a conscious effort to look at the life of improvements when trying to structure the length of the bond. On the Information Technology planning applications for buying new equipment, which is critically important to fund, are they paying for equipment that will last 5 or 6 years with 15-year bonds?

Mayor Morton asked Ms. Lindwall to put the highlights of her presentation on paper for Council. Ms. Lindwall stated that planning applications are on page 508; services to the General Fund on page 509 and she highlighted page 512. Ms. Lindwall will e-mail other comments to the Council.

Martin Rafacz, Evanston Firefighter's Association, Local 742, spoke about the proposed changes to the health care plan for employees that result in cost savings of \$650,000. He was sure employees favored savings but they were concerned with how the savings came about. Instead of shopping around for different insurance carriers, they passed on additional costs to employees. Retaining good employee insurance costs is part of the cost of doing business. Proposed increases are through co-payments and deductibles. They recognize the increasing costs of health care. Through their bargaining agreement they have doubled their premium payment starting March 1, 2008. Currently this group is the lowest payer. They are willing to go along with the City, but feel it is unfair to change their health care costs outside of collective bargaining. They were represented on the Health Care Committee. Members voted against the proposal. Information their members requested was denied and will provide more detail if asked. They are willing to decrease costs through a wellness program put together for their members. Other programs, such as flexible spending, have been examined. They would favor their money go into an account that could be used for co-pays and prescriptions. It would also give the City a savings through the Medicare expenses. A question brought to the committee is the amount of commission the health care plan broker makes. He understood it is well over \$400,000 annually. That was asked for and not provided.

Council Discussion

Alderman Rainey asked for the actual revenue for the three quarters for 2007-08; found the budget inconsistent. She noted on page 66, it shows the actual revenue from the liquor tax was \$1,941,652 in 2006-07. The budget is \$1.8 million. There is no estimated actual for 2008-09 and the proposed budget is \$1,927,000, an increase of \$127,000. She thought that was logical but they need to know the estimated actual. What is the 75% on liquor revenue and for everything else? How can they know what the fund balance will be. It does not jibe with liquor licensing. She does not understand the cigarette tax. There is no way to justify the 2008-09 budget without background information.

Ms. Carroll has the nine-month information, but no chance to review it and would make it available at the Council meeting on Monday. There is a nine-month report through November and staff will have the ten-month report by the next budget meeting. Alderman Rainey wanted to see a report that is broken out. She also asked for the FTE page. Ms. Carroll stated it would be sent out next week as well and stated staff simply ran out of time this done. Alderman Rainey asked what she attributed that delay to. Ms. Carroll said staff had worked hard and this was just one thing that did not get done. Alderman Rainey said every year they have had issues with the budget but it was completed on time. Ms. Carroll said the budget was not completed until the second budget meeting last year; thought they have to focus on how to solve the budget problem. Alderman Rainey said the primary issue Ms. Carroll told them with the budget and finances was due to the extraordinary number of personnel costs. When they don't have the number of personnel, that is a problem. Ms. Carroll stated the reason for the problem is not the General Fund, which is balanced but the pension tax levy.

Ms. Carroll read from the Appellate Court case of the Board of Trustees of the Police Pension Fund of the City of Evanston versus the City of Evanston. The Police Pension Board sued the City of Evanston for under funding the tax levy for fiscal years 1986-1995 and 1997. "The City concedes on appeal that it did not comply with Section 3-125 in levying a tax that would meet the annual requirements of the Police Pension Fund for fiscal years 1986-1995 and 1997." At that time the estimate was \$4.5 million. The court concluded that the City must levy an annual tax that would yield enough revenue to satisfy the normal costs of the pension for the years involved plus the amount necessary to amortize the fund's accrued unfunded liabilities as provided in Section 3-127 of the Police Pension Code. The problem with the police pension funding started in the 1980s. The fact that the court did not make the City go back and make contributions does not mean there is not a funding problem today that must be solved. The entire General Fund and pension levy is based upon the need to solve this funding issue. That is why the taxes are higher. This is not a new problem that needs to be addressed. Alderman Jean-Baptiste noted the court said the City was funding at the legal level.

Rental Building Licensing

In response to Alderman Rainey, who favors licensing as long as it is not for the purpose of generating revenue, Mr. Wolinski said staff had agreed to a 25% inspection plan. Roughly there are 2,500 rental buildings here. The City would inspect each building annually; common areas, basements and 25% of the units in that building. That way they would go to every building each year on a four-year inspection cycle. That would change the CDBG inspections, where the City is in every two or three years, because it cannot afford the staff to keep up that cycle. The fee would be billed as they do with the rooming houses. A property owner or manager would receive an annual bill for their building and pay the fee by a certain date. They put \$560,000 in the proposed budget but probably won't begin the program until spring/summer. Alderman Rainey asked how they would get the application to the owners. Mr. Wolinski said owners' buildings are in a database and applications would be sent for a license and invoiced simultaneously. Would they bill 25% a year? No. A \$40 fee would be billed every year for each unit.

Alderman Wollin favored licensing; noted they have found landlords divided up units and found many people living in units in a two flat that were never inspected. Alderman Hansen asked if they have a non-compliant landlord, to what extent would they go. How do they stop a property owner from renting anyway? There are good landlords that get lists of violations such as nail holes or peeling paint. What non-compliance issues will trigger a license revocation? Mr. Wolinski stated that staff would not recommend revocation of a license for minor infractions. They are talking about behavior that is detrimental to fellow tenants and the neighborhood as well. The Nuisance Premise Ordinance was updated recently. The violation corrections that go to Administration Adjudication are either paid or a lien is put on the property currently. Collected fines are around \$100-140,000 annually. In a licensing program, they can withhold the license. He suggests going before Administrative Adjudication for license suspension or revocation. Some communities use their Administrative Adjudication program and some use their Housing Commission. If a unit has the license revoked, it would be posted as uninhabitable, just as they do now with buildings that are uninhabitable. The landlord would not be able to license it for rent. They have the means to shut a unit down. As far as enforcement, the City doesn't

shut down a person's livelihood lightly. An owner with a 16-unit building with several units in very bad condition or tenants with anti-social behavior would go through the usual process of inspections and fines. If the problem is still not taken care of, then they go to revocation or suspension and go through due process. The property owners can defend themselves. Most communities that have licensing rarely suspend a license because the threat of that alone is sufficient to thwart the undesirable behavior. He was sure there would be a learning curve for property owners that the City means business. Among property standards, police, fire and health departments, too much is expended of these resources. He thought this would free up staff to do other things. Mayor Morton asked for a copy of the draft plan for licensing rental property.

Alderman Bernstein asked staff about the proposed transfer of \$300,000 from the Capital Improvement Fund to the General Fund mentioned by Jeanne Lindwall; the cost of insurance commission payments and, legally, how could the City modify a payment outside of collective bargaining agreements. The budget proposes to eliminate the Dutch elm eradication program. Have they talked about the Ash Borer and the cost to eradicate that? He asked if the money paid to the City by SWANNC is actual and if the money is paid dollar for dollar for what is sold? Yes. He asked if the \$5 bucket pick up fee is instead of the \$25 special pick up fee. It is in addition to the special pick up fee of \$25. The proposal is to raise the \$5 bucket fee to \$10. He asked for the proposed consultant fees as he had received a copy of consultant fees for the past two years. He asked the difference between the IMRF pension fund and police/fire pension funds.

Ms. Carroll said a memo would be prepared on the insurance broker. They shopped the market this year. The City is discussing a different arrangement with Blue Cross/Blue Shield, perhaps going direct and not having a broker. There is an opportunity for some savings.

On collective bargaining, a higher contribution from the employee was negotiated as part of the last contract. When Judy Witt was here, she tried to get everybody equal. However, staff negotiated with AFSCME that the City could change health benefits. For police, FOP and IAFF they have to impact bargain those changes. There is a process whereby they are notified of changes and they have a period to respond. If they do not agree, the City has to go to impact bargaining with them. There were one or two votes on the committee against the recommendation.

Human Resources Director Joellen Daley stated that all members of the committee supported the plan and two supported it with health savings accounts that the firefighter mentioned. The committee agreed to explore that at a later date.

Ms. Carroll stated the proposed consultant fees would be provided. She clarified she did not recommend elimination of the base Dutch elm disease program.

Parks/Forestry & Recreation Director Doug Gaynor stated that the City has no way to project the impact of the Emerald Ash Borer. Forestry staff constantly does tree inspections and stump removals. They were advised yesterday that Skokie will eliminate all ash trees. Evanston will not go to that extent at this point. In response to Alderman Wollin, Mr. Gaynor stated Evanston complied with state and federal policy during May-September to not transport outside the quarantined area, which has become huge. When a tree is taken down it is moved to a specified location for disposal.

Ms. Carroll explained that IMRF is managed by a completely separate board. IMRF is a multi-employer state plan for municipal employees and not like the fire and police pension funds. IMRF elects a board of retirees and employed members and has a different asset allocation policy. They are allowed to invest in a higher percentage of equities, real estate and investments the fire/police pensions cannot. She recommends that the City advocate that a higher percentage of equities be allowed for the police/fire pensions. The other difference is that they assess a percent of salary on every employee who participates, which is about 7.54% by every participant. They do their own actuarial study to find numbers to calculate that. Whereas the City calculates a tax levy based upon the same type of thing, it is subject to adoption by the local municipality. It is a different way of getting the money. Alderman Bernstein confirmed that the 7.54% contribution has been sufficient. He noted they were talking only about the contributions to the pension funds, not with what happens to the investment of those funds. Alderman Bernstein asked if, historically, it is a function of different actuarial assumptions. Ms. Carroll was not aware of the actuarial assumptions used by IMRF. Alderman Bernstein asked if there is a higher rate of retirement among firefighters and police officers. Ms. Carroll stated there were several differences between the IMRF and police/fire pensions. In IMRF, an employee cannot get 75% of salary in pension until 40 years of service. People pay in a lot longer to get the same equivalent. The second difference, on the police/fire side, at the time the lawsuit was filed in the early 1990s; they did not have the increased benefits granted to police and fire in 2000, 2001 and 2004 (that was not reflected in the lawsuit). The lawsuit said the court would not make the City make up the difference in what was not funded because they were going to fund on an actuarially determined basis the required amount every year. She thought the City had been doing that. Benefits and the marketplace have changed. The pension

funds cannot make 7.5% given the 45% equities and 55% fixed income instruments. One reason they lowered the earnings to 7.25% was because they had to have a 10% constant equity return on 45% of the allocation and 5% on 55%. In today's market, they could probably hit the 10% mark and 4-6% on bonds. At 7.5% or more they cannot get there. The other change was the actuary the City used had outdated information on how long people are living. Firefighters and police officers who retire at age 50, with 30 years of service, could live 35 years. They must make sure they have updated information that reflects reality. The State of Illinois said they owe at least \$127 million and the City's actuary, who is more conservative, said it is closer to \$140 million. The City has 25 years remaining to pay that in. What is proposed in the budget is one year's payment of the normal cost and amortized portion.

Alderman Holmes supports licensing of rental properties. However, she has concerns about the Administrative Adjudication, having spent hours there the other day. She suggested Council needs to discuss that because so many staff hours are put in there vs. overwhelming evidence, yet people are not found liable in many cases.

Alderman Jean-Baptiste went back to the assumptions they made on unfunded liabilities for the pensions. Those assumptions result in a significant tax increase, with 70% going to the unfunded liabilities. While there are new factors, the conclusion of the Appellate Court was that the City would be funding at the legal level through 2033. He was unsure what should be done and what they do next year. When this discussion started, the Mayor asked if there are alternatives to the growth of tax levies to make up the difference. Could this be stretched over a longer period of time? He noted Evanston was compared to other municipalities. The reality is that Evanston provides many services. He did not think citizens could pay an increase of 15% in property taxes plus larger fines and fees. Jack Siegel's letter dated September 6 is something they should have discussed all along and reviewed the case thoroughly. He suggested they discuss it more at the next budget meeting. When this letter was sent, Mr. Siegel indicated the court found the City had done what it was supposed to do legally. At that time, he thought experts would have been there on behalf of the pension board to offer projected assumptions. He was concerned the manager, in an effort to do her duty, may have the pension funding become more important than the continuation of services, support of youth initiatives, etc. He suggested they find a balance.

Ms. Carroll stated if they go back and look at the unfunded liability in 1992, it would be much lower than now. During this time, the pension funds have not met the 7.5% assumption that was made and used to determine the contribution to the pension funds. Whenever they don't make the investment assumption, the unfunded liability goes up. In looking at the state IML pension study that was shared with Council in April, the average police/fire pension fund was funded at 62-65%. Evanston was under 50%, below everybody else already. That is due to many reasons. She was not saying the court is wrong, but the court said the City conceded on appeal that it did not comply with Section 3 - 125. The court then said that the City would change its future contributions to be in compliance with the law. She thought the City intended to do that and believed they did, but the actuarial assumption of 7.5% is not realistic anymore. The IML study says the average unfunded liability was around \$180,000 for each active participant. Evanston's average is more than \$300,000 per active participant. There could be many reasons for that such as more retirees, Evanston is older and funding for a longer time period. It is not as simple as taking this court case and saying there is no problem. She proposes the minimum required under state law. It is a large increase, due to all the changes that need to be made to fairly state the financial obligation of this city. If they continue to use an investment rate assumption that the boards cannot meet, they are fooling themselves that they will meet the funding required by 2033. She wants to address this problem before getting further in the hole. Evanston is funded at 44% and she was not blaming anybody for how the City got here. They have to tackle this and have 25 years to do it. The numbers are the minimum she believes they have to levy. The alternative is to find a dedicated revenue source that goes into the pension funds that lowers the tax levy. She believes this is an accurate assessment of the situation the City is in. If Council thinks they can lower the annual tax levy, she thought they missed the implications. A Northwest Municipal Conference Task Force is working on this because every municipality is dealing with it.

Alderman Jean-Baptiste still wanted to know why legal counsel wrote in September 2007 that the City was meeting its legal obligations. Ms. Carroll stated that was because he was not aware of changes in the law. Ms. Carroll will speak with him, noting that Mr. Siegel is not an actuary. Alderman Jean-Baptiste suggested they continue to look at the pension funds and try balancing all factors. She asked which assumptions she made that are incorrect. He suggested they revisit all the factors and try to find a balance so the citizens are not burdened with a major tax increase and larger fines and fees. Ms. Carroll stated it is either find alternative revenue sources or levy taxes. If they want to change the investment assumptions, she was not sure that could be defended.

Alderman Tisdahl suggested some of the actuarial assumptions be checked. Staff knows the age at which police and fire retire each year and have average life spans. She agreed with Ms. Carroll on her analysis of the investments. An actuarial report should be done annually. The City Manager would get that data. Alderman Tisdahl thought if the City continues to under fund the police/fire pension funds, the liability will become impossible to pay; suggested they work with the state legislature to discuss changes they could make to the pension funds and investment allocations. The state legislature got us into this dilemma and should help us get out. A task force is needed to start talking with them.

Alderman Tisdahl looked at page 508 and asked if they are financing purchases that have a short life span with long-term bonds. Ms. Carroll said staff looks at the average life of what is financed, an average life of 20 years. Some things may last longer and some for a shorter time. Software, unlike hardware, may last 10-13 years, but they also may have a building program that is a 50-year program. The average is looked at determining that so it is a blended number.

Alderman Tisdahl noted that Mayor Daley enacted a tax on water bottles, which are considered environmentally bad. Could Evanston do that? Ms. Carroll said they could but the City would be subject to a lawsuit. She will look into it. The revenue they got was only \$20-30 million, not a large amount for Chicago.

Alderman Holmes recalled Council was to have received a listing of when fire and police personnel would retire. She thought they would have a better understanding of the pension funds with that information; understood once the money is allocated to the pension funds, the City has nothing further to do with them. Council has no control on how pension funds are invested.

Alderman Holmes asked about an increase in library fines, alarm fees for residential, commercial and institutional. When people register for classes, is a registration fee charged? She suggested looking at a non-refundable registration fee as a revenue source. She asked the last time the tax was increased on alcoholic beverages.

Alderman Hansen noted that Jack Siegel's letter and opinion was based upon information and testimony presented in 1993. All recognize there have been new laws since then. The pension board and City agreed that the police pension was not funded at the level needed. The board was for looking for monetary damages, so they tried to punish the City. But more importantly, evaluations and laws have changed. She agreed with Alderman Jean-Baptiste that they need to spread this out because many people cannot carry this burden.

Mayor Morton stated she is a recipient of the Illinois teachers' pension fund, which has been under funded. The state legislature extended the teachers' fund a second time until 2044. All know that the operation of the City is okay in this budget. The problem is raising taxes to pay for the pension funds. She asked how this could ever be solved locally. She thought it is a state issue and they needed to meet with state legislators to see what can be done; noted they had added a benefit for widows in perpetuity. Mr. Rafacz stated that when the widow's pension was added, firefighters had to put more into the pension fund. He stated that police officers and firefighters are not asking for more money. They want to work with the City to help fund this liability. He did not know how that affected the City.

Ms. Carroll confirmed that the increased benefit resulted in more contributions by police and fire, but did not cover the benefit's cost. For fire, it went from a 50% benefit to 100%. The minimum was raised from \$450 to \$1,000 a month. Those are the kind of changes they have seen. She was willing to work with Council and legislators; saw several possibilities. One is to reset the amortization period again, which would lower the payments; another is to look for better investment allocations. Even if they do that, there is still a liability out there unless they reset the amortization period that the City will have to fund at some level. She would not count on getting that kind of legislative support before adoption of this budget, but they might get that support before they have to levy the tax in December. That is why she has called the tax levy for the pension funds a "placeholder" because much more discussion has to occur.

Mayor Morton was told the City has no authority on how pension boards invest their money. She served on the Northwest Municipal Conference's Legislative Committee in the past and this is not the only issue that has come up among mayors about the pension boards. They were not optimistic that the City could ever bring about any kind of a change because of the hold those two organizations have on mayors and people at the state. She did not know if that was true but has heard this since 1993. They have to look realistically at whether they can do anything. There are exceptions as to how things are handled that apply only to the pension boards. If this continues and there is concern about the City's

bond rating, it may be the cost of this. Operation of the City is not creating a problem. They are being pushed by two groups that allow no wiggle room. She would seek redress and limit the funding of things for a certain number of years. This has troubled her because of what is hanging over their heads. Nobody can tell them how to solve this under the current regulations. The complete onus to fund this rests on all who pay taxes now and into the future, even though the City has no say in how this money is used. Mayor Morton said this is far beyond us. Council wants to do the right thing. She wondered if this could be examined and the two boards go together and put their money somewhere they get good dividends and give some relief to citizens of Evanston. If not, this may destroy Evanston. They will put money into something that the people who pay will receive no benefit from. She said this is hard to sell. There is no one here who does not want all to get their pensions. As costs continue to rise, they cannot keep up. They cannot take public funds and drain all of them.

Alderman Rainey recalled discussion of a contract for billing of parking tickets and learned that the City has \$2.5 million in unpaid parking fines. She suggested an amnesty and elimination of overdue penalties. She asked for the total amount of outstanding monies owed the City. What is the latest thinking on an amnesty? When they talked about the unfunded liability on the pension funds, the City's financial advisors advocated for issuance of pension obligation bonds. What is the status of that? She wanted a memo on the food/beverage tax. She asked why there was no transfer from the Downtown TIF to the General Fund. Ms. Carroll confirmed she was referring to Account 57085. Acting Finance Director Steve Drazner said \$325,000 could be added to help the General Fund but they are trying to pay down debt. Alderman Rainey recalled in previous budget discussions that the TIF funds generated expenses. Many TIF districts require increased police or fire activity and other expenses, so the City should transfer money into the General Fund to cover these costs. Ms. Carroll will look at that. Alderman Rainey asked what kind of analysis is done on fund transfers. She pointed out there are many automobile accidents in the Howard Street area and at shopping centers, plus a lot of shoplifters. The security people are good at catching thieves. The police have to go over and collect them. She thought the amount transferred from the Washington National TIF to the General Fund is minimal, especially given that last year they transferred \$135,000 and are only transferring \$140,000 this year. Ms. Carroll stated staff is in the process of updating the analysis of transfers. They have been increased incrementally. Alderman Rainey thought they were timid at the start as to how much they could charge back. All TIFs and transfers will be examined.

Alderman Bernstein requested information on when the sewer bonds will be retired. He noted that all pension obligations come from the property tax. He encouraged non-for-profits to contribute, because they are benefiting from fire/police. It is fair for those who can, to contribute. Non-profits contribute in many other ways but this would be a direct pass through.

Alderman Jean-Baptiste asked the manager for a response as to whether the City can take any legal action against the state regarding the unfunded mandates. He suggested they need to explore, beside negotiation, how they can go after non-for-profit institutions to get their contributions. If the City cannot fund these obligations, it won't. He will not extract from constituents what they don't have. If they don't fund these obligations, what are the consequences? He was not trying to deny anybody their pension. Council needs to understand the consequences of inaction in this matter.

Mayor Morton was distraught over the fact that these two pension funds, at this moment, could destroy what they have here in Evanston. It would not be their fault, but is a system that is detrimental to the best interests of the community.

Alderman Bernstein moved that Council go into Executive Session to discuss personnel and collective bargaining. Seconded by Alderman Jean-Baptiste.

Alderman Rainey wanted to remove people's names from the discussion because she thought they were about to discuss budget cuts and did not see this as suitable for executive session. She noted the manager's letter said this has been a transparent process that staff was involved in preparation of this budget. She thought going into executive session to discuss potential alternative cuts was wrong.

In response to Alderman Tisdahl, First Assistant Corporation Counsel Herb Hill stated the materials are within the exceptions in the Open Meetings Act regarding collective bargaining. The discussion would deal with specific positions. There is no requirement that City Council exercise its right to go to into executive session. The Council can decide not to

go into executive session even though it is 100% appropriate to do so.

Alderman Rainey thought putting the names in was the justification to go into executive session. There was no reason not to list a certain cut to a certain department or division. What if they don't want these cuts? How can the public comment on cuts? Mr. Hill stated the executive session does not result in any final action. Any action by the Council must occur in open session. Alderman Rainey said if they have the courage to stand by a 15% tax increase, then they ought to have the courage to discuss cuts.

Ms. Carroll asked this be considered in executive session because the individuals were not told and she was concerned, from an employee relations perspective, that they would hear about this for the first time. She thought it appropriate to get some feedback from Council. Alderman Rainey thought it was presumptuous not to have had a broad discussion first.

Alderman Bernstein withdrew his motion. At noon, Alderman Jean-Baptiste moved that Council convene into Closed Session for the purpose of discussing matters related to personnel and collective bargaining pursuant to 5 Illinois Compiled Statutes 120/2 (c) (1) and (2). Seconded by Alderman Wynne.

2. All meetings of public bodies shall be public meetings except for the following:

- (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.
- (2) Collective negotiating matters between the public body and its employees or their representatives, or deliberations concerning salary schedules for one or more classes of employees.

Roll call. Voting aye -- Wollin, Jean-Baptiste, Wynne, Holmes, Moran, Hansen. Voting nay –Bernstein, Tisdahl and Rainey. Motion carried (6-3).

At 12: 25 p.m. Alderman Tisdahl moved convene into Open Session. The motion was seconded and carried unanimously.

There being no further business to come before the Council, Mayor Morton asked for a motion to adjourn and the Council so moved at 12:30 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.