

CITY COUNCIL

January 26, 2008

ROLL CALL - PRESENT:

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

ABSENT: None

PRESIDING: Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton Saturday, January 26, 2008, 9:22 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 thanked all for coming; stated that rumors are flying that certain services will be cut. Any cuts that she gave to the City Council two weeks ago were suggestions and not a reflection of those services' value to the community. Since then she has made recommendations that contain a combination of revenue enhancements and expenditure cuts that would help lower the tax levy to below a double digit increase. The budget issue continues to be pension funding. Her responsibility is to provide options for consideration by City Council and they may disagree with her recommendations and have other ideas. There have been rumors that she personally wants to cut all health services and another rumor that she wants to cut 50 employees. Both are untrue.

First is a review of questions about budget memos issued January 18 – Memos 1-18 and Memos 19-25 issued January 25.

Policy Direction Which is a higher priority: a single-digit tax levy increase or retaining all current services? Either choice requires revenue enhancements.

2008 Proposed Property Tax Levy Currently there is a 15.15% proposed increase in the City's portion of the tax levy, which is a 3% increase to a homeowner's total property tax bill. Staff prepared four options that include several scenarios for consideration to reduce the property tax levy.

Option #1 is adjustments to revenues based on a final review through January 22, 2008. Add \$30,000 in Fire Alarm revenue; add \$500,000 to Personal Property Replacement Taxes, based on updated information from the state; and an additional \$37,000 in Plan Review Revenue. (This assumes the appointment of a Blue Ribbon Panel to study the pension issue, with a decision on the final tax levy no later than fall 2008.)

Alderman Rainey questioned how the \$500,000 came about? Ms. Carroll stated that was changed due to two years of history. Alderman Rainey noted that is not shown in the budget. They looked at page 66. Acting Finance Director Steve Drazner noticed the Personal Property Replacement Tax was underestimated. Alderman Rainey showed \$943,000 in 2006-07; in 2007-08, \$800,000; and in 2008-09, \$879,000. Are they adding \$500,000? Yes. Mr. Drazner projects revenue of \$1.5- \$1-6 million in replacement tax for next fiscal year. Rainey asked what the City is getting for 2007-08. Mr. Drazner estimated \$1.2 million. He noted the first payment was put in the prior fiscal year. Ms. Carroll explained in 1978 the law changed. Alderman Rainey asked when this information was put together. October 2007; reviewed again in December and final changes made in January. Mr. Drazner said it appeared that the allocations to the fire/police pension funds were overstated. More should have gone to the General Fund. Alderman Rainey asked for a budget memo on this. Nothing will be taken from the pension funds. The allocations will be corrected in 2008-09. The Personal Property Replacement Tax came in 1978-79, and the allocations are based upon the personal property tax it replaced. Alderman Jean-Baptiste noted that the City collected more tax than is indicated. How much more have they collected and why was it allocated to a prior year? Ms. Carroll explained that under GASB requirements, any revenues collected 60 days after year end are required to accrue into the prior year. She will go back three or four years and show how it has been increasing. Alderman Jean-Baptiste said when they levy at the end of the year and, if the amount is more than needed,

why not return that money to taxpayers? He has been told over and over that the City finds needs for it. Ms. Carroll said a memo would be prepared to explain this. To use excess revenue over expenditures from a prior year, the Council would need to decide to apply the fund balance. *The policy is not to use fund balances for ongoing operations.* Alderman Bernstein asked about changing the pension fund number. Mr. Drazner explained this tax in the pension funds would be reduced. Next year pension funds should receive about \$75,000 each. The \$195,000 to the police pension and \$165,000 to the fire pension funds would be reduced to \$75,000 and the balance will go into the General Fund. Does it add to the pension debt? No. Ms. Carroll stated the annual contributions to the pension funds are based upon actuarial evaluations.

Alderman Rainey called attention to page 475 in the budget, noting an allocation across the board for the same amount except for 2008-09. Mr. Drazner could not account for the allocations; suggested it could be cost of living. There is a base amount to be contributed, but the City can contribute more to the pensions if they choose. Alderman Rainey asked if there is a formula. Mr. Drazner thought as long as the actuarially required contribution (ARC) is put in, the City satisfies the legal requirement. The replacement tax is bonus money and he did not think the City was required to contribute. City Manager Carroll suggested they get the history on this, go back to 1978 and submit a memo.

Adjustment to expenditures in Option #1

Ms. Carroll stated with Max Rubin's retirement, they will combine the Emergency Preparedness position with a Division Chief in the Fire Department at \$117,000. To do that they have to add back the Fire Plan Review position (\$91,500). They eliminated the health insurance broker and saved \$300,000. Other minor adjustments are \$70,800. They will increase the transfer for 2008 pension taxes by \$963,300 and have a dollar increase in the levy of 12.39%. Option 1 does not require service cuts or new revenues beside those already proposed for the General Fund. Each option builds on that.

Alderman Rainey asked what a Plan Reviewer does. Ms. Carroll explained that some reviews have been done in-house by the Division Chief and others contracted out. By adding the emergency preparedness to the division chief, his responsibilities are increased. To get the plan reviews done, the plan reviewer would replace the contractor and also replace some of the time the division chief spends on plan reviews. The plan reviewer looks at plans for sprinkler systems, fire suppression systems, hood and duct systems, which are reviewed and approved by the Fire Department. No one is in the position now. Alderman Rainey asked for a cost/benefit analysis of using a contractor versus hiring a plan reviewer with benefits. Staff tried to come up with a plan to cover the work that was needed. Alderman Tisdahl asked for an analysis of the emergency preparedness job and what would be cut from that. Ms. Carroll said a lot is done behind the scenes doing exercises with institutions such as the university and hospitals.

Option #2 Same revenue and expenditure changes as in Option #1. New revenue proposed: Yard Waste Sticker Program to generate \$200,000 (rejected last year). Use of \$1 million fund balance to lower property tax levy in pension funds. However, this does not comply with budget policy (any excess fund balance is to go to fund reserves and then capital outlay first). The policy could be changed. It does not address the long-term financing of pensions and will result in loss of interest income of \$50,000 to the General Fund and the City will need to borrow \$1 million more for the CIP. Option #2 results in a property tax increase of 8.94% in dollars but a 1.77% increase in property taxes to the homeowner.

In response to Alderman Rainey, Ms. Carroll stated interest earned is around 5%.

Option #3 Same revenue and expenditure changes as Option #2. New revenue proposed is a food and beverage tax of \$500,000, which would be dedicated to funding police and fire pensions only. Program reductions total \$1.2 million: stop Dutch elm tree injections \$338,000; eliminate Police Accreditation Manager \$65,000; eliminate both branch libraries \$284,700 (net cost); reduce Health staff by one, \$84,100; reduce Mental Health Board funding by 25% \$214,750 and reduce Parks/Forestry & Recreation staff by three \$216,500. Those changes result in a property tax dollar increase in the levy of 4.05% and compares to the Midwest CPI that equals 4.1%.

Alderman Rainey asked about the Accreditation Manager position. Police Chief Eddington explained the Police Planner's major duty is the CLUA process. If that position is eliminated, the department's relationship with that organization would cease. Other functions performed by this person would have to be parceled out. About 45% of time is spent on accreditation, which she thought is important. Does it make the department better or help obtain grants? Chief Eddington stated the accreditation is an evaluation by an organization that says the department is up to snuff. It has been a long tradition in Evanston and something the City can be proud of. In this difficult budget situation the City faces, is

that important as they look at ways to balance the budget? Department heads were asked to evaluate internal services versus service delivery to the public. There is no nexus between financial advantage and this endeavor and no way the accreditation work could be spread due to the organization's size. Chief Eddington stated the EPD is at a point where, if they cut personnel, they will need to eliminate services. This is not a retirement.

Alderman Tisdahl asked wasn't the City supposed to save money by inoculating the elm trees? Has it saved any money? Ms. Carroll stated Council was seeing difficult program choices. She asked directors for suggested cuts. The Dutch elm disease program is one. Parks/Forestry & Recreation Director Doug Gaynor stated staff was at a point where they could no longer spread things out. Staff has put money aside for the Dutch elm disease program so the hit annually was not as large. There are 3,000 elm trees and about 250 are lost annually. The injection program is about 92% effective and will prolong the life of the elm trees. To him it was a choice of elm trees or kids.

Alderman Jean-Baptiste noted that Parks/Forestry & Recreation is being cut by \$216,500 and clarified that recreation staff is being cut, so both trees and kids are being cut. He wanted to know what the positions are in light of demands from the community for investment in kids. Ms. Carroll stated those positions would be identified within the next week.

Alderman Bernstein asked if the cost of removing trees was factored in. Mr. Gaynor responded that there was no major savings. The first year injection program was contracted out. Staff was trained to do the injections. As the number of elms decreased that had to be cut down and stump removal, staff started doing the injections. Alderman Bernstein noted if they stop injections, there will be more dead trees. Mr. Gaynor said it was a wash. They will go back to where they were three years ago, staff will take trees down and not inject them. By eliminating tree cutting, staff filled the time injecting trees. Ms. Carroll said the \$338,000 is the cost of materials. Time is needed either way. The Emerald Ash Borer infestation is an unknown and a memo was sent on that. The City will take down 60 trees by Lovelace Park in the next four weeks.

Alderman Wollin thought the state granted funds to remove diseased ash trees. Mr. Gaynor explained a bill was passed but there was no funding.

Alderman Wynne asked how many elms Evanston has lost. Mr. Gaynor said about 100 a year, but that will go down.

Alderman Rainey asked for a memo on the Dutch elm disease program cut. A status report was issued within the past 90 days and will be attached to the budget memo.

Alderman Rainey asked about the recommended food & beverage tax of \$500,000. Ms. Carroll explained a 1% food & beverage tax will generate about \$1.1 million. Also recommended is a reduction in the liquor tax of 2% so it becomes revenue neutral for the restaurants that sell liquor. That nets about \$500,000. Alderman Rainey asked if they raised the 1% food & beverage tax and left liquor tax as is what would it yield? Alderman Rainey asked the amount of food sold? A memo will be prepared on the base, revenue on the food and breakdown on liquor and food. Alderman Rainey was looking for a food & beverage tax that does not include taxing liquor.

Option #4 Same as Option #3 with the following exceptions: if the food & beverage tax is not adopted - \$500,000 is deducted from revenues. If the referendum passes, increased revenue from the Real Estate Transfer Tax is dedicated to Police and Fire pensions - \$800,000 added to revenues. This results in a property tax dollar increase in the levy of 3.19%.

Alderman Wynne noted options were on spreadsheets and asked for the gap to know the number they need to reach. Staff had asked the same question. They need to know the property tax increase Council would support. Ms. Carroll stated the gap is the difference between \$40 million property tax and a number Council is comfortable with. If Council is comfortable with the 4% option, the gap is the difference between \$40 million and \$36 million (about \$3.9 million). Essentially the General Fund is balanced in the base budget with proposed revenues so the focus has been taking the pension fund levy down by the amount to give a total tax increase the Council thinks is reasonable. The options can be mixed and matched. Staff did not have clear guidance of "not willing to live with a tax increase of more than X." In response to Alderman Wynne, Management Analyst Anita Patel said every 1% reduction in the levy is equal to \$348,000. Alderman Tisdahl commented that, if the referendum passed, it would be a 2% reduction in the property tax levy increase (assuming the transfer tax generates \$800,000). Alderman Tisdahl was confused about the branch libraries. She recalled

Council was asked to sell part of the north branch building when the economy was doing well and split the proceeds above the estimated sale price between the two branches. The sale never went through and she asked why did it not sell? They lost a lot of money. If sold now wouldn't it generate the same amount? Ms. Carroll responded that the sale is scheduled for this spring. They have to make the property into a condominium legally because it was in two halves. Assistant City Manager Judith Aiello explained in addition they had pipes and environmental issues. The bid package is now 99% complete and will keep the minimum bid of \$380,000.

Alderman Rainey asked if anybody was interested in looking at the \$10 million capital improvement budget. She saw opportunities to delay or scale back some projects. Page 15, General Fund Revenues, she was interested in utility taxes. This is a year in which temperatures are compared to 1985. She thought the utility tax would skyrocket. Mr. Drazner stated the \$10 million on the levy includes outstanding debt plus next year's interest. It was reduced by \$250,000. Alderman Rainey said the standard is that every \$100,000 in debt service represents \$1 million in capital indebtedness. Ms. Carroll thought the levy for debt service could be reduced for this year if there was no bond interest in 2008. The \$10 million issue of 2008 capital at an estimated rate, they have budgeted only for payment of interest not principle. Staff will provide a number for all outstanding debt. Alderman Rainey suggested they look at things they could reduce.

Responses to budget memos

Alderman Holmes received budget memo#10 and then budget memo# 22. Why was there not a difference in cost for single family homes, institutions, offices, hospitals, condominiums on alarm fees? She saw that Evanston has a different method of calculating cost than other communities. Why does Evanston not have a different scale for different uses? Ms. Carroll said it has been that way for a long time and a tiered system could be considered. Fire Chief Alan Berkowsky recalled staff had been before Council three times in the last 17 years regarding the alarm ordinance. Over the years Council has been most comfortable with flat rates for alarm registration. Another variable is how many alarms are allowed before charging and the third is the scale for charging. They have kept it consistent for police/fire and residential/commercial. A survey showed it is all over the board. Alderman Holmes thought more service would be involved in a multi-family building than a single-family home. Chief Berkowsky said there are many more alarms in residences than in the past and between 3,300-3,500 alarm systems here. Every month they pick up 20-30 alarms that are not registered.

Alderman Rainey went to page 67 on false alarms; asked why there is no entry for police false alarms fines. Ms. Carroll stated the Fire Department handles both. Alderman Rainey asked about collection. Chief Berkowsky will provide the percentage collected. Alderman Rainey asked about the alarm panel franchise fee. It is the fee paid to Evanston by alarm companies. Alderman Holmes asked if the City has a relationship with alarm installers. He said alarms that are required must go through the City's system. If a person puts an alarm in their home, the City knows nothing about it. Staff urges alarm installers to make homeowners aware that when they install an alarm, they must register with the City. In the City Code, if the Fire Department responds to an alarm and the system is not registered there is an automatic \$250 fine and the homeowner receives a letter advising them to register the alarm (cost \$100). They have seen a reduction in false alarms because they send letters on unregistered alarms. Alderman Holmes suggested an article about this be put in *Highlights*.

Alderman Rainey asked Ms. Carroll to review the water/sewer debt service memo and to see if there are any opportunities where debt service will be less. She asked for an index of the cumulative budget memos. Ms. Carroll explained water/sewer were put together and they should be separate. She said they have \$121 million of outstanding debt in water/sewer and most of that (except for \$3.2 million) is for sewer. The payment schedule for every IEPA loan is on page 17, which shows what is paid off by year. At the end of February the City will owe \$111.5 million. About \$9.5 million was paid off. They will start to see a difference around 2012, with a large drop off. It goes down about \$10 million annually. She urged Council not to think of this in a vacuum because the City continues to have capital needs. Evanston has 100-year-old water mains. What they should do is fold in what they believe is needed and give Council a forecast.

Alderman Rainey recalled Council was told the reason for the high sewer bills was because the City is paying off the low-interest loans from IEPA to pay for the reconstruction of the sewer system. The payment goes up slightly next year. The debt service schedules were set up when some of the principle payments were at a certain point so it is not a level debt service. Each has a different amortization schedule. Alderman Rainey asked if they could change that. Ms. Carroll said they would look at the bond schedules. She thought they were set up so it would be easier to pay off the principle. She noted IEPA sets the schedule for payment on the low-interest loans. After 2013 it drops. People at the end of the

schedule benefit from the sacrifices others made earlier.

Alderman Jean-Baptiste understood the Motor Fuel Tax is collected by the state. Ms. Carroll pointed out the local motor fuel tax is 2¢ a gallon. Mr. Drazner stated they budgeted \$275,000 in revenue from the local tax. Alderman Jean-Baptiste suggested an increase of 1¢ or 2¢ made sense. Ms. Carroll said those increases could be calculated. However, the maximum levy locally is 4¢ a gallon. When fuel prices go up or down the City does not benefit. That would impact the General Fund. State revenues are used for capital expenditures. Alderman Jean-Baptiste asked why there is a decrease in Motor Fuel Tax funds from the state. Ms. Carroll responded that it is based upon a per capita calculation and varies year to year. The City gets an estimated number from the Illinois Municipal League for this and other taxes.

Mayor Morton asked the life projection for Evanston's elm and ash trees. Mr. Gaynor stated there is no prevention or cure for the Emerald Ash Borer destruction of ash trees. The ash trees will be gone. In some communities all ash trees are will be chopped down diseased or not. They will keep the ash trees until they have to be cut down. He referred to ash trees on public property, but infected private trees also must be cut down.

Mayor Morton respected the aldermen but has a different perspective based on history of many years. She looked at the purpose citizens pay taxes, which is to provide services that deal with the welfare of citizens and the health of the community. It is essential that the City have healthy conditions. It provides for the safety of citizens through fire and police. The City has had sanitation workers killed on the job, so they also need to think of safety for all employees. They need to think larger and make decisions that are based on what is best for the entire community. What services are essential for life, liberty and the pursuit of happiness? People think they pay taxes for essential services. She urged aldermen to think in that direction. Make a list of what is essential, then another list of what they would like to have. Somehow they must narrow down what they have to do. Each ward is different. The 5th and 7th wards are concerned about the Metropolitan Water Reclamation District and how they maintain the canal. If they cut off essential services to do something nice, she did not think people would be happy. She hoped they would each make a list of what is essential and what citizens expect to get from the taxes they pay.

Alderman Moran asked the difference in the amount paid into the police/fire pension funds last year versus this year. Ms. Carroll said the 2007 levy represents the recommendation they use cash fund balance to complete the minimum ARC requirement. A memo will be prepared on that. She thought it was less than \$500,000.

Alderman Jean-Baptiste said the budget has a section allocated for debt service. Ms. Carroll explained that is for GO Bonds and most bonds are for 20 years. Ms. Carroll will provide a schedule of when those bonds drop off. He suggested the Council really needs to think long-term when considering the pension funds.

Ms. Carroll said the packet contained a report on water/sewer debt. Someone asked, when the sewer debt is repaid, could the City issue sewer bonds and transfer funds to the pension funds. She contacted bond counsel and they cannot do that. The debt must be related to a specific service. However, they spoke about other ways to deal with this. There is a concept of having police/fire services paid for by the Water Fund as a percent of assets. Bond counsel thought this could be done legally. For example, they have \$40 million in assets in the Water Fund and \$400 million total assets in the City. In theory, it could allocate a cost of police/fire services (including pensions) to the Water Fund. That may result in an increase in the water rates, but that is spread over a different base of players. Anyone who uses water pays. Some of the bond counsel's clients, including Anchorage, AK, do this and have a franchise fee that is paid by the utility to the city. Currently Evanston does something like that by transferring \$2.5 million from the Water Fund. She has tried to explore many options. Alderman Rainey asked the manager to put this in writing. Ms. Carroll thought if they did this, 10% of the pension funds would be paid from the Water Fund, or one could say a percentage of cost, because the infrastructure assets must be protected. She will prepare a scenario Council could review. In response to Alderman Jean-Baptiste, it would be a policy decision to allocate fire/police protection as a cost of the water/sewer utility, which is folded into their operations. It is not a lien. There must be a rational basis for charging back. Alderman Wynne asked if this pans out, could it be put into place this year. Yes. Ms. Carroll reminded them that shifting costs will affect long-term financial plans. If that is built in, they may have to borrow more for capital needs. If they do a rate study that cost could be built in. Alderman Rainey asked for a budget memo on the state utility tax, the electric utility tax and the two gas taxes, both state and home rule.

Council Discussion

Alderman Holmes said last year Council made tough decisions on service cuts with recommendations for service alternatives supplied. Council made those cuts because those services would be provided by other agencies. Will there be recommendations on service cuts in the health and parks & recreation departments for alternatives in the community? Alderman Holmes was particularly interested in mental health services and where alternative services would be provided. Ms. Carroll said how they looked at the Mental Health Board, while it provides valuable services and she does not suggest it stop, but look at alternatives to fill the gap. She provided a spreadsheet that shows how much these agencies depend upon City funding. In some cases it is a small percentage reduction and she will provide a memo.

Alderman Rainey asked if the S.E.E.D. grant in the Health Department is over. Yes.

Alderman Rainey asked about transferring TIF money for City services delivered based upon the fact that they weren't delivered prior to the TIF district and are generated by the TIF. She was surprised the Downtown TIF did not contribute to the General Fund, because of the demand for police and other services. She argued there should be an expenditure for services, but staff objected. Ms. Carroll did not think staff objected, but looked at allocations for TIF expenditures for costs. Justification of the number of people who are paid from TIF funds is something that must be supported. They hope to have preliminary numbers by next week. Staff will do an overhead study to ensure they capture the data correctly. Alderman Rainey understood, based on prior discussions, that staff looked at the number of calls for services.

On page 68, Alderman Rainey asked what the revenues from Administrative Adjudication are for. Ms. Carroll stated those are all fines except parking and includes property standards. Alderman Rainey asked to have that broken down so they could see the housing code violations.

Alderman Wollin commented that fines were just increased for underage drinking and fraudulent IDs. She has seen a student get a \$1,000 fine for false ID and underage drinking; was surprised that fines are down. Alderman Wollin made a reference to the A&PW Committee to change budget policy to consider the use of fund balances.

Alderman Moran asked for a brief memo on benchmarks in relation to healthy fund balances. He requested a rundown on where the reserves are on the funds and was looking for recommended GFOA policy

Mayor Morton called attention to Reform Initiatives for Downstate and Suburban Police and Fire Pension Plans. They called for cities to respond and are interested in Article 3 – “to restrict the ability of the fiduciary to knowingly cause or advise the fund to engage in an investment transaction when the fiduciary has any direct interest in income gains or profits of the investment advisor through which the investment transaction is made or has a business relationship with the investment advisor that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.” The other is much shorter. “Establish minimum standards for investment actuarial and other professional services utilized by the pension funds.” Another publication from the Illinois Teachers’ Retirement Fund indicates that the teachers’ pension fund is doing well.

Ms. Carroll explained that Council has until December 2008 to levy the taxes. Meanwhile, they can see what IML and the state legislature does. She will keep them informed. The Northwest Municipal Conference will propose some legislation.

CITIZEN COMMENT:

Timothy Schoolmaster, 1454 Elmwood Ave., said constituents asked him to address comments made at the last meeting. The Mayor commented that money going into the pension funds was for something the taxpayers received no benefit. He met with the Mayor and was convinced she had not meant that. Three or four hundred people were offended deeply because police and firefighters provide incalculable benefits. He accepted her at her word; knows that her heart is in the right place. He outlined the three things that got the pension funds into trouble. Failure to fund, the deal with the devil in 1993 and actuarial smoke and mirrors. The funds were re-amortized in 1993 in the deal with the devil, so payments after six to eight years got much larger. Recently he discovered Bill Stafford had been part of the municipal negotiating team and had to be well aware of where we are now. It guaranteed debt would increase by 3.5 times. The City has always met its IMRF obligations and he asked the City do it for fire and police. The actuary says \$140 million is owed. \$42 million is

the normal cost and \$98 million is interest payments. He noted on the proposed 15% tax levy increase that the increase on the City's share of the tax dollars of 19% would take the City to 21%.

Alderman Jean-Baptiste understood from the City's corporation counsel that it had not done anything illegal in regard to the pension funds and asked for clarification. Mr. Hill explained that the City has made contributions to the police and fire pension funds consistent with the state statute and in compliance with all legal requirements.

Bill Sexton, co-president of the Childcare Network, spoke about Mental Health Board funding they receive that allows them to provide scholarships for 60 children and allow parents to work. If cut, some of those parents may not be able to work. The Mental Health Board funding also allows them to provide free mental health care for children at all their facilities. There is no funding in place for gaps if this is cut. These families will struggle and less than 60 children will receive care if there is a cut. Children are the future and if they are not nurtured we won't get there.

Paul Selden, 1235 Maple Ave., director of Connections spoke as a taxpayer about the Mental Health Board. He lives in Evanston because it is a socially and economically diverse community and works here for the same reason. If that was not a concern, he would live in Wilmette or Winnetka. The Mental Health Board helps keep this community diverse. Thus he sees this as a core and essential service. He takes exception to it being considered a disposable service and not on the same level as police/fire or forestry. Alderman Holmes was the only one who spoke about the Mental Health Board and he hoped that more on Council supported this mechanism. This is one of the few activities that shows the City puts its commitment behind the idea that Evanston should be a socially and economically diverse community.

Gerald Gordon, 1228 Lake St., recalled in December 2006, he appeared the night they voted for the tax levy and asked to commit to re-appropriate the increase in the General Fund balance to decrease the levy, but Council chose not to. He has asked for re-appropriation of fund balances for years. He compared FY 06-07 interest revenue, actual versus budgeted. The second paragraph is FY 08-09 proposed interest revenue versus FY 06-07 actual interest. The third paragraph is a look at the nine month performance from January 7, 2008 memo. In comparing 2006-07 budgeted to actual, there was \$4,399,340 more interest and a positive number. The second paragraph compares FY 08-09 proposed interest revenue to FY 06-07 actual interest, since the proposed interest is less than the interest earned in 06-07, it is a negative number. Since the fund balances increased each year, the funds balances should have produced about the same interest revenue as the previous year. Taxes for 06-07 were increased needlessly by \$4,399,340 to cover the perceived shortfall. The same thing is happening in the current budget. Interest revenue is understated by \$3,384,340. As of the January 7, 2008, interest revenue is already running ahead by \$634,918. In the coming months, interest revenue will grow to the same magnitude as the prior year. He stated that it is critical that interest revenues be restated in the proposed FY 08-09 budget to more closely reflect reality and experience and he strongly urged Council to investigate this subject most carefully. Council must avoid raising taxes another \$3-4 million, solely on the basis of misstated or understated proposed interest revenues. He was glad to hear City Manager Carroll talk about re-stating proposed interest revenues. In budget memo #13, after only 10 complete months in the fiscal year shows a surplus of \$2,544,694. He asked if this surplus could be reapplied to the proposed budget or pension funds to reduce the required tax increase. According to the last line of budget memo #14, the total authorized FTE's will decrease by eight, but the manager's budget message introducing the proposed budget states (page 13) that a net of three new positions will be created. Which is correct?

Jane Grover, 2703 Prairie Ave., member, Mental Health Board, said her term has expired. In her eight years on the board every year was tight and every year they asked for funding. This budget has been cut over the years and last year they got an increase. The Mental Health Board works hard to establish credibility, be accountable for money and transparent with the City Council. A significant portion of Evanston's population live in poverty with great need. The services funded by the Mental Health Board have to be considered core services. Providing those services to those in need is a core value. She asked that the budget reflect that core value and that the Mental Health Board funding find a way into the budget and stay in the future.

Jeanne Lindwall, 625 Library Pl., recognized Council members are hard working and thought that good intentions have gotten Evanston into its present budget situation with the police/fire pension funds. It is clear that the City is not under a legal obligation to fund fire/police pensions, however, it has a moral obligation to do so. She can remember when tax cap legislation was discussed and that Evanston, as a Home Rule community, was not bound to follow that. The City's

budget policy was that it would live within the tax caps and not have a property tax increase. The City did that for a number of years and did it by not fully funding police/fire pensions. She recalled the first transfer from the Water Fund, because it is important to keep the enterprise funds healthy. Now looking at the transfers to the General Fund, it is easy to see how Evanston got into this situation. A homeowner and resident for 30 years, she benefited from keeping the property taxes low. She looks at it as a family budget and to save for retirement, one starts when young to accrue what is needed. Tim Schoolmaster and the actuary pointed out the beauty of compound interest. They need to get as much money into the pension funds as possible, because taxpayers will have an increased burden. They need to reduce transfers from the enterprise funds into the General Fund. She was troubled by the use of capital improvement money for staff costs. She agreed with Alderman Rainey to look at the Capital Improvement Program so those funds are used for the most critical needs and to match grants. She recalled the priority system for capital improvements was: urgent (could not wait), necessary and others that were desirable. She suggested they not hire an Economic Development Director this year. With the Lakefront, Downtown, and Central Street plans, she suggested a community discussion about the direction of Evanston's economic development. The community has not had such a conversation for a long time. It is important to look at how the City does things. State statute limits what can be charged as an expense for TIFs and she noted the rules were changed after 1999. While many benefited from past lower tax rates, it got the City into trouble. It is time to pay the piper. She suggested the police/fire pension balances have to be increased and it will take time. The City will have to wait until some of the long-term debt is retired.

Susan Cherro, 2404 Prospect Ave., recently became a member of the Commission on Aging. For years she has been interested in elderly and disabled issues. She lives here because Evanston has always taken care of its citizens. She hoped in the process of budgetary decisions, that the budget would not be balanced on the backs of children, elderly and disabled and that Evanston maintain its commitment to quality of life.

Jason Hays, 712 Dobson St., Evanston Firefighter, wanted to bring a human face to Council's discussion of pension funds. The pensions are promises made to men and women who put their lives and health at risk for the promise that they will be taken care of at the end of their careers. When they talk about an unfunded pension obligation, that results in the fact that those funds will run out of money and firefighters and police officers won't get paid. These people have put aside nearly 10% of their salary into the pension funds. A typical person puts in around 7% to Social Security. They don't pay into Social Security. Their pensions are their safety net. In order to survive from the pension funds, it must be invested properly to pay their people. An unfunded public liability has a human face.

Marybeth Schroeder, 2734 Asbury Ave., president, Library Board, urged Council not to cut library funds. She spoke about the proposed cut of \$50,000 to collections and increased fines. Council leadership and citizen support for the past few years has made a tremendous difference in the library by opening up the children's and teen rooms. Those have been highly successful. Over the last 15 years, the board created and funds the "Fund for Excellence," which raises up to 25% of the collection's budget, no other library has citizen support to that level. They built a collection up that was in poor shape when the new library was built. To take \$50,000 out of the collection budget would be like going back 10 years. Evanston's library is funded at a significantly lower rate than any comparable community. Arlington Heights spends \$160 per capita, Evanston is at \$70 per capita and Skokie spends about \$130 per capita. So even before cutting funds, the Evanston Library is significantly behind its peers. Now there is a proposal to cut the branch libraries. The library budget is small and stretched to the maximum. Such a cut takes the library away from the direction they want it to go. They have concerns about raising the library fines from 15¢ to 25¢ a day. That is higher than their peers. Fines discourage people from using the library. She hoped they consider the library budget.

Junad Rizki, 2767 Ridge Ave., noted that Council gives themselves medical benefits and are the only part-time people to get them. As a taxpayer, did not know why he had to pay for Council's health insurance. He urged when they run for re-election that they cut those benefits because he did not think Council member's families should be insured with City funds. He has a problem with how the manager and Council have restructured the City. With over three years restructuring, he thought the City would lose good people because there is no stability. What Council should have done is restructure in one year and not torture for years. He asked if the sustainability coordinator will get a grant. Last year her position was funded by a \$75,000 grant. If there isn't one, that is \$75,000. (Ms. Carroll stated she had received some grants and created savings, which was part of the agreement.) He will file a FOIA request. There are many mistakes that have caused lost revenue. One is the Maple Avenue garage where a retail space was vacant and he wanted to know how much they lost. He stated they won't save money by selling the building on Central Street. Every issue adds up in cost. If

they cut funding for elm tree injections, then taxpayers will have to pay to inject the parkway elm trees or they will die. There are plenty of things that are not the best charities. Cut everything and he will figure out how to inject the elm trees.

City Manager Carroll asked Council if all want to appoint a Blue Ribbon Panel to make recommendations about the police/fire pension funds. Two names have been submitted so far. She asked for names from other aldermen. Alderman Rainey understood that this committee would not be encumbered by politics or employment. She did not want elected officials, city staff, members of pension boards or union members and that these persons either live or work here. Alderman Moran asked why require people to work or live here? Alderman Rainey noted all boards and commissions have Evanston residents or people employed here. Alderman Moran pointed out they are trying to solve a financial problem and there are many who do this kind of work and are good at it. The committee should not be restricted to residents only. Alderman Wynne agreed with Alderman Moran. In response to Mayor Morton, Alderman Wynne suggested that names of persons who have agreed to serve be presented to Council.

Alderman Tisdahl moved that they establish a Blue Ribbon Committee and that the majority of individuals on the Blue Ribbon Committee live or work in Evanston. Seconded by Alderman Rainey. Motion carried unanimously.

Alderman Jean-Baptiste recalled a song The Temptations sang, "Vote for me, I'll set you free." Mr. Rizki may want to cut medical benefits, restrict their right to vote and maybe do away with the Council altogether. He appreciated him presenting good information, but often does it in an antagonistic way. The difficulty is if they go to a 15% tax increase, those on fixed incomes may be put out of their homes. If they fund the pension funds to meet the City's obligation, it may mean cutting back on services that are provided at Fleetwood-Jourdain Community Center, not funding activities at Mason Park and not much flexibility for the Mental Health Board's budget whether less, more or the same. It may mean the library fund will suffer a cutback. There is a lot to balance out. People should advocate for their interests. He was thinking what will Evanston look like 15 or 20 years from now? They have to face the reality that Evanston will be a place where people can pay the taxes but they may no longer have middle income residents and have Section 8 people who weigh down the school systems and other services. Council wants to set people free.

Alderman Wollin assumed they were to turn in names to the city manager by January 29 and Mayor Morton would appoint them. She planned to turn in names of people and asked if she should make contact. Yes. Ms. Carroll said that background data from staff would be given to this committee.

Alderman Rainey wanted an outline of the \$10 million 2008-09 Capital Improvement Program. She wanted to see the projects and whether it includes new indebtedness. Ms. Carroll will prepare expenditures approved last summer for 2008-09 and bond for this year. What did staff recommend on these projects? Perhaps they can save some money there. She recalled Alderman Moran raised an issue about deferring some roadway improvements. Ms. Carroll responded that \$1 million was deferred for road projects. She and Public Works Director David Jennings met with Alderman Moran and the two 6th Ward projects would go forward. Two other projects, one in Alderman Wynne's 3rd Ward on Greenleaf is on hold because it is tied to the Sheridan Road improvement. Staff recommended not going forward with that. Alderman Wollin's 1st Ward roadway improvements are tied to the former Kendall College project that will not go forward and be deferred. Alderman Rainey asked if any of the \$1 million going into construction of roadways in the 6th Ward. Ms. Carroll will provide a memo. Alderman Rainey asked for information on the 0.25% sales tax information provided by the City Clerk.

There being no further business to come before the Council, Mayor Morton asked for a motion to adjourn and the Council so moved at 12:33 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.