

CITY COUNCIL

February 9, 2008

ROLL CALL - PRESENT:

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

ABSENT: Alderman Moran

PRESIDING: Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton Saturday, February 9, 2008, 9:17 a.m. in the Council Chamber for the purpose of conducting a Budget Review Workshop on the FY 2008-09 Proposed Budget.

Alderman Hansen moved that that Council cut elimination of the branch libraries from consideration. Seconded by Alderman Wynne. Motion carried unanimously.

CITIZEN COMMENT:

Junad Rizki, 2267 Ridge Ave., stated the City continues to assign no value to elm trees. Millions of dollars are saved by keeping the trees. He had a problem with the City's numbers since they combined injected and non-injected trees. Since choices have to be made to keep the elm trees, he recommended eliminating the Sustainability Coordinator position. If this position is removed \$225,000 could be added to the three-year injection cycle. The memo for the sustainability coordinator is full of imaginary funding. It appears the City got several thousand in cash and the rest is "funny money," which will not pay the pensions. This position has not achieved grant funding that was stated it would a year ago. Energy savings are questionable. There was a statement about in-kind community contributions that confused him. He has all compact fluorescent bulbs in his home and didn't need the City to tell him to do it. As for energy savings, telling staff to turn off their computers is obvious. If the City pays someone \$60,000 to do this, that person is not adding value. The trees are more important. His opinion is that the sustainability coordinator position will be funded from property taxes.

Joel Fondell, 1718 Dempster St., managing partner of the Pancake House and Grill, opposed the proposed 1% food and beverage tax and made Council aware of the taxes restaurants already pay. Business license, awning tax, window sticker tax, neon sign tax, taxes on electricity, telephone tax, natural gas tax, water and sewer tax, sales tax on supplies, patio tax, property tax, Social Security tax for employees and themselves, liquor tax (highest in the area). Is there another industry that is taxed this heavily? Costs of commodities have more than doubled in the last 18 months. With increased food prices, higher oil prices and labor costs, they are being severely squeezed. They can raise prices, but can only go so far before they chase away their customers. There is an impending recession and mortgage crisis, which means cuts on visits to restaurants. He has been here for 20 years and the majority of his workers and customers live here. He asked Council to embrace the industry; do things that help restaurants flourish and grow because it will pay off. Stomp on it, overtax it, and push the customers out, it will wither and die.

Jeff Muldrow, 1566 Oak Ave., passed out a statement from Dan Kelch, Lulu's restaurant. Owner of Va Pensiero Restaurant, has spoken to people in Chicago on Michigan Avenue who tell him their businesses are as slow as it was immediately following 9/11. Restaurants are feeling the crunch and experiencing increased costs in all the commodities they buy and can only pass on a certain amount of that to their guests. People who eat out don't look at their bill and don't itemize. When people look at their bill they realize how much they have spent. The food & beverage tax will drive up prices and make consumers come less often and cut the number of employees in the restaurant. Evanston has the highest liquor tax. Sometimes he thinks they ought to have a sign that says, "Don't drink here, drive to the next town." They sell many banquet parties at Va Pensiero and he pushes to increase the off-premise catering. Lately they don't sell liquor at the off-premise location. People go outside Evanston to buy their liquor and pay him to pour it. Doing it that way saves significantly. Schaefer's Liquors has jumped on this. Recently other restaurants have opened in the area. Va Pensiero has been here 20 years. Trio came but has since closed. More restaurants have opened here and beyond so there

is more competition. He has to go to every pharmaceutical representative who comes in to host a party and explain the taxes. Restaurant Michel doesn't have that problem and neither does McCormick & Schmick's that opened recently in Old Orchard. Both restaurants target the same audience. He can only pass on so much of these taxes. Now is the worst time and he knows the City needs money, but Evanston cannot continuously tax restaurants. His lease is up in three years and he will consider whether to stay or take his business to another suburb. Va Pensiero is an established place. People buy condominiums because of the restaurants and shops here. If the restaurants and services are not there he did not see the reason to pay the high taxes. He felt that he was being driven out.

Dan Schermerhorn, 2737 Central St., spoke on behalf of the Evanston Property Owner's Association and his firm about licensing of rental properties and asked the purpose of the ordinance. He thought it was to deal with problem landlords and to raise revenue. He believed that the City has the tools to get after bad landlords with the codes and the Property Standards Division. There is no necessity to have a licensing fee and those who comply do so without a license. The proposal adds two more staff at a cost of \$111,000. The fee of \$40 per unit is beyond the cost of the program. There are other ways to fill the budget gap without targeting a specific portion of the taxpaying public. When all are concerned about affordable housing, that fee will be passed on in rent increases. He asked Council to reconsider this proposal. He understood it would be taken up at the P&D Committee meeting on Monday; stated it is not fair to those paying taxes.

Scott Anderson, 5432 N. Greenwood St., Clean Plate Club comprised of Davis Street Fishmarket, Merle's Barbecue and Pete Miller's, employs 50 residents. The proposed increase in the food and beverage tax comes at the worst time. They have felt the recession for the five past months. The restaurant business will face extreme challenges in 2008 with increased costs of food and gasoline. Even Starbucks reported a 1% decline in sales. Predictions show sales worsening. Wages are up. All are working hard for customers. They already have lost bids to other cities with a lower sales tax. The *Chicago Tribune* recently ran a feature on the best dining, which was in Forest Park. He felt that Evanston has lost ground as a destination and high taxes are part of the problem. They do their best to provide excellent food and service, and price it fairly and competitively. He would like the City to help them, not hurt them. The proposed tax is like kicking them when they are down. The people the City expects to collect this revenue from will make fewer trips to restaurants in this economic environment.

Patrick Breslin, 1414 Crain St., The Celtic Knot, chose to invest money, time and passion in this business. The tax on liquor makes them uncompetitive. This proposed food and beverage tax makes them feel less welcome in Evanston. More than 41 employees live here. He urged Council not to let them be squeezed out.

Sarah Anderson, 511 Main St., manager, Kuni's restaurant, said many restaurant people there were up late the night before closing up their restaurants. She reiterated what colleagues said. The party business is huge for them. She has seen many people walk away from doing party business in Evanston. She was told by the chef at Carmichaels in Wilmette that he steals her party business by mentioning that Evanston's taxes are higher. Skokie steals her party business on a regular basis. Increasing this tax will hurt her business. She has to explain regularly to the pharmaceutical representatives how high taxes are. Increasing taxes on restaurants doesn't feel fair and she hoped they would reconsider.

Russ Abell, 1710 Orrington Ave., general manager, Hotel Orrington, and resident, stated the proposed 1% food & beverage tax should not fall on the shoulders of the food industry. Their approach is both soliciting business and servicing groups. They are all small businesses that compete with businesses on the North Shore, including country clubs and private clubs. They know that restaurants use the liquor tax to steal business. Skokie, Wilmette and Deerfield businesses tell people their money will go farther (in their town) than in Evanston. They also compete for business regionally and nationally. Good meeting planners can quote rates in different cities. The 1% food & beverage tax, in addition to the high liquor tax, exposes them to a bad rap, a "tax heavy location." Folks who come in spend a lot on shopping. All love Evanston, but those groups are not knocking down the door to stay here. The Orrington goes out and sells Evanston first, then the hotel. It is not an easy place to get to. Northwestern does not support all businesses in town. The Orrington employs 150 people full time, many of whom live here. They provide the major portion of their benefit costs. The food tax signals a negative outcome and that can threaten jobs. The competition continues to grow with more restaurants in Westfield Mall and additional development in The Glen. Evanston cannot afford the reputation as an expensive place to stay or to hold a function. Corporations are under pressure to make a profit today, so those meeting planners look at the total cost of a function, including the taxes. The restaurant and hospitality industry is a small margin business. What may appear as a small tweak at the top of the revenue scale, can impact profits significantly. He asked

Council to reconsider the 1% tax and not single out this service industry.

Barbara Klein, 1818 maple Ave., sales and marketing manager, Hilton Garden Inn, has been in the hospitality industry in the Chicago area for 35 years. She spoke on behalf of the hotel owners and staff about the 1% food and non-alcoholic beverage tax under consideration and how this tax will be detrimental to maintaining, much less growing banquet food and beverage sales here. As most know, the competitive North Shore market is in the midst of a building boom relating to hotel and dining venues. All vie for the banquet business and with so many new options, customers have a myriad of choices and can be selective. While location, size and ambiance, caliber and product service are important, when venues are equal, price is often the determiner in decision making. Given this situation, their company must strive to be competitive with facilities in neighboring communities, otherwise they run the risk of seeing business that belongs to Evanston slip across the border. Many banquets are for personal events paid for out of pocket by hard working individuals, not large corporate entities. This includes weddings, Bar and Bat Mitzvahs, families, high school reunions and numerous non-profit fund-raising organizations. On a \$15,000 social event, Evanston's proposed new tax combined with the elevated liquor tax would be \$1,750 in taxes. If the same event was held in Skokie, the applicable taxes would be \$1350, a variance of \$400. For many people, the \$400 difference is critical to the financial success of the event. By raising taxes above neighboring communities, non-profits are justified holding banquets out of town. This costs the banquet staff revenue, the City tax dollars and puts employees who live here out of work because of lack of business. She cringes whenever she is asked to donate to an Evanston organization that books its annual fundraiser out of town. Revenues are being chased away rather than keeping them here. If they let Evanston groups leave Evanston for banquets they also will lose the ancillary revenue and tax associated with hotel rooms, local shops and restaurants. She asked that they rethink this tax question and help keep this industry competitive.

Mimi Peterson, 748 Wesley Ave., suggested that the City cannot continue to raise taxes on vehicle stickers and business taxes, which are getting out of control. She had issues with memo #50 from Parks/Forestry & Recreation Director Doug Gaynor, which says they have a new method of calculating based upon detailed program service reviews performed in 2007. She asked how can they compare fairly with those methods compared to the old (2004) methods. If the trees continue to be injected, tree losses will continue to go down. Budget memo #45 offers a great solution. On page 53 of that memo, there is reduced bonding by \$300,000. It appears even with doing that the City can continue to pave the streets if they bond for \$700,000. The savings is equivalent to what is needed to continue the tree injection program. As Council debates the budget issues, they should remember that the budget reflects the values of the community. Over the past few years, residents have said they value the character of Evanston and these old elm trees add to it. Council made a commitment to begin the injection program, which is 98% effective. It has exceeded the success rates projected by the Forestry Division. If they continue, tree losses will decrease. It makes no sense to take money that was set aside for that use and throw it into a morass of a problem she understands is important. She has been interested in a number of issues and spent hours in the A&PW Committee when the head tax was discussed. This tax had the potential of bringing in more than \$1 million annually and would have been enacted on institutions with more than 1,000 employees. That was tabled in committee because of the promise by non-profits, which enjoy the benefit of City services, that they would make contributions. Millions were spent on the fire stations and the biggest benefactor is Northwestern University, which has not contributed to the cost of those buildings or services. They need to bring the idea of voluntary contributions by non-profits back to the table. She urged Council to look at Philadelphia. In that community 25% of property is off the tax rolls and, rather than implement a head tax, they have a program where non-profits come forward and make a voluntary contribution to the city. This was tabled here in 2002-03 and the City needs to get a commitment from the non-profit sector. She has advocated for trees but this is not just about trees, but about the values, what Evanston looks like and about businesses that want to be here but continue to be taxed heavily. Cook County looks to raise vehicle taxes by \$75 as does Evanston. On top of that her tax bill is over \$10,000 and she cannot get to her car and street due to ice and snow. She suggested that Council look at the Philadelphia program, reconsider the head tax, stop nickel-and-diming people and consider that trees are valued by this community.

Jonathan Perman, executive director, Evanston Chamber of Commerce, clarified the numbers to be used are as of April 1, when the RTA sales tax of 0.25% goes into effect in Cook County and 0.50% in the collar counties. He hoped Council takes the comments they heard seriously. If the issue was simply paying 50¢ or \$1 on a tab, there would not be this kind of opposition. The issue is the banquet business that is critical to hotels and nearly every restaurant in Evanston. He did not expect Council to consider it because they don't run restaurants. Hopefully, hearing how vital that is (banquet business) to the bottom line and survival of these operations, they will consider it carefully. He would provide

information to put the budget situation into some perspective. Often people say property taxes are high in Evanston so it is important to ask, compared to what? He wanted to give a viewpoint of not just looking at Evanston but the entire Chicago region. A homeowner or commercial enterprise competes not only with nearby communities, but also with communities much further away. Businesses, whether industrial, manufacturing, commercial services or residential, have choices as to where they locate. The first three pages of his handout showed the effective tax rates and the actual dollars that some pay proportionate to the market value. It is important to use those numbers when comparing communities. It takes into account when re-assessments are done. When a re-assessment is done in one quartile of the metropolitan area, it changes the tax dynamics for that area unlike the other ones. Effective tax rates hold that variable in place and account for those different time differences when assessments are done. In 1999, the effective tax rate in Evanston was about 2% on average. A home or business with a market value of \$300,000 paid on average about \$6,500 or \$7,000. That number of 1.98% in 1999 has come down to 1.79% in 2005. As it has come down, Evanston has done well in comparison with other communities because the tax base has increased. That is a tribute to the Council and policies they have championed and to businesses and residents that have invested in the community. While they have not dropped as much as Chicago or Aurora, Evanston has done fairly well across the board. There has also been a significant drop in commercial rates. Commercial property tax rates start from a much higher base. That was 7% in 1999 and now is 4%. The industrial is much the same as commercial with a drop from 8% to 5%. The last page was an attempt to understand how the City's share of the tax bill impacts the total tax bill. Twenty percent of the tax bill comes from the City, while 67% is the school districts and the remaining 15% is from the County, MWRD, Mosquito Abatement and several others. Those ratios are similar to most other communities. The school districts are locked into a tax increase cap of 2.5%; though many people think it is 4%, the current rate of inflation. Schools have to use a number that is a year behind. Plug in that number, then 4% for the other 13%, that is the base they start with. The proposed budget asked for an increase of 15% in the City's portion. If that were approved, the real impact on the tax bill is 5.2%. On a \$10,000 tax bill, there would be an increase of \$520. On Option 1, they can knock that down to 12%, which brings the increase to about 4.6%. Depending on where they end up, whether 10%, 8%, or 6%, the variance will be between \$340 and \$460 on a \$10,000 tax bill (which is higher than the average tax bill of \$8,000). He had no value judgment on programs. They need to ask what the impact is in the range of \$340 and \$460 as they debate during the next three weeks.

Alderman Holmes asked Mr. Perman for figures on the first three pages for Skokie, Wilmette, Deerfield and Des Plaines.

Alderman Bernstein provided written comments from Dave Glatt of Dave's Italian Kitchen.

Alderman Rainey said it would have been helpful if the restaurant owners had, instead of complaining about the penny per dollar, given Council some suggestions on how to get through this budget. A 1% increase on a \$10,000 tax bill for a family home is not unusually high in Evanston. The increase would be \$595. A 1% increase on a \$10,000 banquet is \$100. That is too much to pay, but it is okay for Evanston residents to pay \$595 in additional taxes. A 100% supporter of Evanston restaurants, she will continue to patronize them and has no problem paying an additional penny on the dollar. This will relieve the property tax payers of several percentages on their tax bill. Nobody is singling out restaurants. Apartment building owners are going to pay. All will pay. Evanston cannot be compared to Skokie because it has incredibly high sales tax revenues. Until people come up with cuts, she sees no other way to raise revenue. She appreciated the memo on the trees and read that it is cheaper to save the trees than to cut them down.

Alderman Rainey moved to eliminate the elm tree injection program from consideration. Seconded by Alderman Wynne.

Alderman Rainey stated that the trees are infrastructure, just as the roads. She drove on Ridge Avenue today and found it dangerous due to potholes; recommended it be closed and the potholes filled.

Alderman Tisdahl asked Mr. Gaynor if it is cheaper to inject trees rather than not to inject. Yes.

Voice vote, motion carried unanimously.

Alderman Bernstein reported that Alderman Moran asked that Council not take a vote on the food & beverage tax until Monday evening.

Alderman Jean-Baptiste asked for more discussion on budget memo #32, which responded to the question of payment of debt. Ms. Carroll said on page 22, they have shown the total levy for all outstanding issues. Starting in 2008, they broke out principle, interest and abatements. The column to focus on is third from the right, titled, Total Net Levy After Abatements; \$9,586,476 is the amount they are required to levy if no new debt is issued in either 2008 or any future year. Debt does not drop off significantly until 2016, which assumes that no more debt is issued for any other projects during the next eight years. These are currently outstanding bonds. Ms. Carroll said it could be given by issue. Alderman Jean-Baptiste was interested in what they would have to levy long term and could better understand with more detail. Assuming what is stated is correct, the levy will begin to drop off in 2016 and, over time they know the pension fund levy, can they work that in so they can understand what to levy for the two pension funds. Ms. Carroll noted that was shown in the five-year plan; said that can be carried out further and cautioned they cannot assume they won't issue more debt. Alderman Jean-Baptiste thought they could reduce the obligation over the long term. He recalled placing police/fire as a point of departure. Alderman Rainey stated her intent was to work backward and the numbers are in concrete. They have to commit that to the pension funds. He suggested a long-term commitment allocation that could be varied by year. This year has many consequences. If they look at long-term obligations and the possibility of fewer obligations, they might have more funds to prorate over the long term. It seemed to him that some flexibility could be worked in. Ms. Carroll stated the \$9.5 million is a fixed number for this year. When a bond ordinance is passed, they are making a commitment to levy a tax for the bonds. They cannot change that number unless they have another source to pay that.

Alderman Jean-Baptiste noted they started out with meeting 2033 and commitments should be done yearly. He thought the Blue Ribbon Committee would look at these issues. How can they spread the allocation out and obtain other sources of revenue? He thought they needed more discussion on actuarial assumptions and should speak to former actuary Ted Windsor about the major gap between his actuarial report and the new actuary's. He asked Ms. Carroll to look at the projected levy schedule to see whether or not the amounts projected could be spread out so there is more flexibility and not as much obligation. Ms. Carroll asked if he was asking to refinance the debt, because the schedules are fixed. He was talking about after 2016.

Alderman Wollin thought it dangerous to put off their obligation. They need to take a big bite this year and pay the unfunded pensions to meet this year's actuarial requirement. She thought it irresponsible to put this off to 2016. Alderman Jean-Baptiste suggested, given the schedule that shows in 2016 they drop \$1 million, the next year then drops another million to 2026, when it is only \$1 million compared to 2008 \$9.5 million. Then instead of levying an additional \$3 million over what they have been levying, they can spread that out because there will be more revenue. What is dangerous is to reassess what the world looks like and then say they have a moral obligation to take initiative and fund that obligation. At the same time take a bite out of a number of things, such as increasing initiatives in other areas and find a way to resolve only this. There are other creative ways of looking at this.

Alderman Tisdahl understood what he was saying – that they got into this mess by not putting in enough money, therefore the pensions cannot earn the interest, because they don't have the money invested, so the amount keeps accumulating. They have a moral and a legal obligation to fund the pensions. That obligation is to fund to the actuarially required amount. They cannot keep doing what got us here and the sooner done, the better. She strongly urged Council to do what they planned and to follow Alderman Rainey's motion to fund these pensions and to figure out how to do it. It won't get easier. Alderman Jean-Baptiste said that interest did not have anything to do with how much the City puts in. It is how the money is invested. She pointed out if you have less money it doesn't matter how well you invest it. Alderman Jean-Baptiste said the pension funds were supposed to generate about 7.5% in interest. He was not suggesting they not increase the amount going into the pension funds but that they not increase it so radically. He wanted the city manager to come back, assuming there will be fewer obligations to levy over the long term, and show how they can prorate the contribution to reflect the City's ability to pay so they do not radically impact the tax increases. Alderman Tisdahl stated this will cost more in the long run because the less that is put in now, the more they will have to put in later to make up for the interest that was not earned on the money (they did not put in now). Putting the money in now will be cheaper for taxpayers in the long run.

Mayor Morton stated when the community did not vote for the referendum they sent a message about how they felt about taxes. She did not know whether Council can listen to everybody and hear what they want or just continue to struggle with this tax situation and what will happen in the future. She understood Mayors from the Northwest Municipal Conference and the Illinois Municipal League want the legislature to come up with something new. If so, that would

impact what will be paid in the future. Mayor Morton confirmed with Ms. Carroll that if it were not for the pensions, our taxes are okay. This Council is not responsible for decisions about the pensions; has nothing to do with operating of the pensions. How is money prorated in the fund to assure they have enough money to pay out to retirees? She did not understand how it works. People at the lower level of the economic strata cannot pay much higher taxes. In Chicago they have 6,000 foreclosures. Evanston is not exempt. She asked how can they arrange it so that all can live and our community can thrive. Nobody knows what the economy will be in the future. Can they not arrange a way to accommodate residents and pay the pension funds with the growth of the population.

Ms. Carroll stated that in order to meet the ARC, taxes for the pension funds will have to go up. Last week Council voted to fund the ARC. She suggested they look at lowering the tax rate by finding new revenue sources or make expenditure cuts. This cannot be stretched out and is not allowed under the law. She knew the Blue Ribbon Committee will look at options. She encouraged them to stop going in a circle.

Mayor Morton did not think they should give up on something until the end. Some mistakes were made. She represents Evanston citizens and Council members represent citizens in specific wards, so they are familiar with how taxpayers feel. Ms. Carroll said a vote was taken. Mayor Morton said parliamentary procedure allows them to reconsider a vote. She does not like it that people of means have left Evanston because of high taxes. Ms. Carroll said in the last discussion Council was trying to lower property taxes. Mayor Morton stated residents should pay taxes for the amenities they receive and should know what they are paying for. It is easy to vote to take money out of people's pockets. Council gets ready to make a decision, and up come a handful of people who say don't do that. It is not the entire community. Council has to say that a lot of other people have a different viewpoint.

Alderman Tisdahl agreed with Mayor Morton that a huge increase in property tax forces people to leave this community. They need to avoid that. She asked all to look at page 375, Cultural Arts Division, where the estimated actual expenditures were \$859,700 and the appropriation requested for 2008-09 is \$1 million. She moved that the \$156,300 increase not be approved. Seconded by Alderman Rainey. (\$156,300) She knows the Cultural Arts Division does wonderful things, but when a family decides to tighten the budget, cultural arts is cut because it is discretionary spending.

Management Analyst Michael Wheeler, referring to page 378, stated the \$1,012,900 is correct. The number on page 375 for the Arts Council is correct. This is a nine-month estimate according to Doug Gaynor. He will prepare a budget memo on the estimated actual.

Alderman Rainey asked the status of the sponsorship program. Mr. Gaynor reported the individual starts on Monday. He thought that the column on page 375 was not added correctly and would prepare a budget memo.

Alderman Tisdahl asked for impact on revenue. Alderman Wollin asked that the same memo include the estimated salary to be paid from increased sponsorships. How would that impact the budget? Mr. Gaynor stated that would be included. If the person generates income there is no reason to cut things that would affect his fund-raising ability. Alderman Wollin noted some of public art is part of public buildings; \$65,000 was put in for neighborhood public art. Alderman Tisdahl withdrew her motion.

Alderman Rainey asked to go back to the discussion about page 22 of budget memo #32. Does this represent current indebtedness? Yes When they look at this going forward, it represents no indebtedness for any new capital expenditures for parks, Civic Center or any facility, so there is no way they can responsibly budget or anticipate any kind of savings from future diminishment of debt service payments. All this says is this is a snapshot of now. These are debt service payments the City has to make. From year to year there are new items that come along and they cannot put capital expenditures on hold. She found the comments made about using any future reductions in the levy were meaningless.

Alderman Jean-Baptiste said when they talk about future emergencies, they have an emergency now that will last into the future; noted that some Council members have said that new initiatives downtown would bring relief. So certain steps were taken to incur obligations for which the City now pays. Where is the relief coming from and how does the Council begin to project that? When do they see the possibility for revenue to address some of that relief? If they do not take into account that they are obligated to pay certain debts that, in the future, will diminish to the extent that the City should have

more money available, that does not mean they won't face future obligations. They have to take those into account and calculate things to meet actual obligations. When Council crosses those bridges in the future, they will make decisions about it. He stated they cannot hold onto a fund they think they will have in the future and they are not going to obligate themselves now for those future revenues, but go ahead and dig into folks pockets now, when all along they have said the basis of the initiatives was to eventually give relief to people. When is that coming? He knows the city manager wants to move on and pass the budget; wants the moral obligation she has spoken of to be adopted. He asked for a memo on what it would mean if the City were to cut the amount now being allocated by \$500,000 to fire/police pensions. How would the City make up for that as they generate more revenue in 2016? There should be some way to relieve the burden that taxpayers have to bear. He rejects the notion that it is a foregone conclusion; they may go back and remove or add items. He wanted a different configuration to fulfill this obligation (did not suggest they not fulfill it) and different approaches.

Alderman Wynne said in 2012 and 2016 the City will need to repair streets and parks. This is just a snapshot of what is owed now and does not describe the future capital needs for which the City will have to borrow. Just because there is a gap does not mean it won't be filled naturally. Alderman Wynne said they have a legal obligation to fund the pensions whether they call it moral or not. Those who voted for revitalization of the downtown prevented the death of downtown Evanston. Jonathan Perman brought in data to show what has happened. In 1999 the effective tax rate was 1.98 and in 2005 was 1.79, which shows all the new development has spread out the tax burden on residential property. Actually there has been some tax relief. They increased the sales tax and the number of people living downtown and revitalized downtown. They cannot put off the pension funds and must find a solution. If the City is not borrowing as much in ten years, then people can get some relief. It is foolish to think they can find a solution that gives significant relief.

Alderman Bernstein agreed that they have to meet the pension obligation, but had concerns about its validity and hoped the Blue Ribbon Committee would deal with the validity of the actuarial assumptions. If the current actuarial assumptions are accurate, defensible and legal, then they will have to fund the full amount the manager asked for. It is their obligation, like it or not. Fire and police personnel don't have to stay here and if their pension is in jeopardy, they can move to another community. They are owed their pensions because of the work they do to keep residents safe. He wanted the Blue Ribbon Committee to consider the balances in the City's fund reserves. They don't want to use one-time revenues to subsidize something. He knows that prior Council's have funded the pensions according to the actuary and what the courts said. Nobody on Council wants to cut anything. There is a constituency for everything and that makes us Evanston. A phrase in the budget book disturbed him – other communities don't do these kinds of things. That is why he came to Evanston because this community takes care of people who don't have the ability to care for themselves. To the extent that they fund mental health, social programs, and trees -- all are important to all or some portion of the community. That is why they have stood the test of these past 10 years as part of the budget process. He said they have to fund the pensions and if they can tweak the numbers (to reduce it legitimately) and give the pension funds what is needed so the funds can be invested, he wanted to do that. Fresh eyes are needed. They have seen errors in the budget. He wants the Blue Ribbon Committee to look at the base numbers. Council has to understand that they may price people out of this community. Cook County is adding a wheel tax. People have to live. He asked people who submitted names to serve on the Blue Ribbon Committee to get their vitae's in so they can approve the Mayor's appointments, get started and have recommendations well before the levy is due. He hoped they have gotten away from the pension bonds. That was the only method they were told would work other than pay as you go. It struck him as gambling and he did not want to gamble with good people's money. The numbers have to be verified, go forward and pay the bills.

Budget Cuts

Alderman Holmes (in reference to a January 11 memo from the manager) moved that the vacant youth advocate position in the Police Department be cut and asked if the victim service advocate position and that could be combined; look at cutting the division chief position in the adult health program and the assistant director, mental health position and staff those positions differently. Seconded by Alderman Hansen.

Alderman Hansen spoke with Chief Eddington about the two advocate positions and asked how eliminating one position would impact the department. Chief Eddington said the victim advocate is supplemental to ongoing police operations and they will substitute a civilian for a sworn officer. Compared and contrasted to the youth worker, that position is engaged in long-term counseling at the Police Department for individuals whether through the courts, parents or youth officer feel that more disciplinary setting is helpful. In this budget discussion, the impact of the youth advocate is further downstream and is of a counseling nature. Victim services are a "right now" issue where officers are turned back to other duties and

service is provided to those who have been victimized. He would prefer to maintain the victim service advocate rather than the youth advocate position. Ms. Carroll asked that the youth service advocate position and the one from the Arts Council be put on the board. Alderman Rainey said when they look at the budget and see 2007-08 estimated actual, she took that literally and not as a nine-month number and was referring to across the board. Ms. Carroll stated those should be 12-month estimates; thought there was room to cut some from the Arts Council. Alderman Rainey explained aldermen look at the budgeted amount for next year and the estimated actual for this year and figure they are accurate.

Alderman Jean-Baptiste has a problem with eliminating the youth services but did not mind not funding the youth advocate position at the Police Department. Repeatedly people have come requesting funding for Mason Park and he asked to shift money there because it would better serve the community. Alderman Holmes spoke only of cutting either vacant or soon-to-be vacant positions. She understands and advocates services for youth. However, she thought a lot of funding was given through the Mental Health Board that should provide counseling for youth. There has to be more partnerships. She was not willing to shift funds and agreed with Alderman Bernstein that no matter what they cut, a group will come and ask them not to. They have got to bite the bullet and make cuts. She noted there is a year round program for Mason Park. Ms. Carroll said several programs were in the Recreation Division but they don't equal the \$108,000 that Mason Park advocates wanted. They were speaking about memo #52.

Alderman Rainey said when they have conversations with constituents and she hears that taxes are too high because Evanston is everything to everybody one program she attempts to explain is the Community Defender. One of the unique features it provides is solid social work service for youth who have issues in the community. The City, CD Committee and the Mental Health Board fund them. They have a few sources of revenue outside the community. Cook County has a juvenile social service program.

Voice vote on cutting the youth advocate position at the Police Department. Motion carried unanimously.

Discussion on cuts in the Health Department.

Alderman Holmes explained the Division Chief was over clinical services and those have disappeared. The present Health & Human Services Director held that position. Health & Human Services Director Evonda Thomas explained after reorganization, the Division Chief inherited vital records, human relations, communicable disease reporting, infectious disease control and emergency preparedness for the Health Department. This person also supervises the Community Intervention Coordinator, the Outreach Specialist and clerical support for the division. This position is currently vacant. Ms. Thomas stated they have to reorganize because those duties continue and she still does them. The Health & Human Services Department has 29 employees. Alderman Rainey asked if anybody currently employed in the department could take over these responsibilities. Ms. Thomas thought it possible to delegate some of the duties. The entire division has to be reorganized. The other division is environmental health. Alderman Holmes asked if some of these responsibilities could be delegated to Environmental Health Division. Ms. Thomas stated they were reorganizing to make it equitable across the department. Because clinical services diminished last year some things had to be maintained. When the clinics closed, all activity did not stop. They still do All Kids registration, refer families to other community partners and assist in financial consulting to help those families get to new medical homes. Ms. Thomas said they needed transition time and to collaborate with community partners so that transitions occur. It has tapered off.

Alderman Hansen stated that the next position they want to eliminate goes hand in hand with elimination of the Assistant Director for Mental Health (once that becomes vacant). Those duties would have to be picked up by someone. Ms. Carroll noted the thinking was to make the Assistant Director for Mental Health a lower-level position.

Alderman Tisdahl noted that with these two positions it would be difficult if both are cut. She asked Ms. Thomas if she had to make a bad choice what would she choose. Ms. Thomas said looking at reorganization, that the Assistant Director tasks need to be done and would put someone in that position at a lower salary. Eliminating both would be difficult for the department to manage. Alderman Tisdahl asked Alderman Holmes to accept a friendly amendment to approve the new position for mental health at a lower salary. Alderman Holmes accepted the amendment.

Voice vote on a motion to eliminate the Division Chief and Assistant Director for Mental Health. Motion carried

unanimously. The city manager would provide net cost savings in a memo.

Voice vote on a motion to return with a new position for mental health at a lower salary. Motion carried unanimously.

Alderman Rainey moved to remove the Fire Plan Review position and contract it instead. Seconded by Alderman Wollin.

Ms. Carroll explained by combining two positions, after the first year, there would be savings of \$107,000. Fire Chief Berkowsky said they combined the Fire Marshal and Emergency Preparedness Manager, two full-time jobs. Currently the outside contractor does large plan reviews but hundreds of small plan reviews are done in the department and also general plan reviews for buildings. They still need a plan reviewer. Alderman Rainey questioned whether emergency preparedness is a full-time job. Ms. Carroll stated it is a full-time position. The City has always received a \$20,000 grant for emergency preparedness. There is a lot of work with the position, updating manuals, exercises and working with other institutions. Alderman Rainey recalled sitting at Site Plan & Appearance Review and never heard fire personnel say one word. Why do they have to be there? Currently the Fire Marshal does some plan review. She asked why the fire marshal cannot keep doing plan reviews. It is because they will combine two jobs, emergency preparedness manager, currently held by Max Rubin, and Fire Marshal Kevin Kelly. Both have announced plans to retire. Chief Berkowsky did not think somebody could do plan reviews, emergency preparedness and be fire marshal. An outside consultant is used for large systems, but to use a consultant for small systems would affect small businesses that would pay a lot more for the service. The fire marshal is responsible for all code enforcement, education and fire investigations; works with hospitals, schools and businesses. He is proud of their record. Alderman Jean-Baptiste asked if the education function could be combined. Chief Berkowsky explained that the emergency preparedness manager trains the CERTS team after hours. There is also a medical reserve corps and numerous federal, state and county contacts. This takes an enormous amount of coordination for a city the size of Evanston. Mayor Morton asked about the fire marshals. Chief Berkowsky explained that, historically, they have come up through the ranks. It is a 9-5 position and there are nine such positions at the Fire Department. Alderman Rainey asked if the fire marshal is the fire prevention person. He is in charge of fire prevention. There are three inspectors in fire prevention. Alderman Rainey asked why not make one of the three inspectors the emergency preparedness person. Chief Berkowsky said anything is possible. When this was proposed, he came up with savings. Ms. Carroll said it is not adding a job. They will swap positions with this combination and save about \$111,000 annually. Mayor Morton looked at reports and noted there are few fires and lots of EMS. Chief Berkowsky said that the department changed its name a few years back to Evanston Fire & Life Safety Services. They deal with everything from environmental hazards, fires and emergencies and 2007 was their busiest year. Mayor Morton suggested with more aging population they will need to provide more emergency services. He explained they train and prepare themselves for emergencies. Alderman Rainey thought the plan reviewer should be cut and the City would still need an outside contractor. She asked the qualifications for the job. Chief Berkowsky said that Oklahoma State University has a program that produces fire prevention engineers. The person who does this now is the fire marshal and has been trained at plan review schools, however, does not have a fire prevention engineering degree. The plan reviewer they want to hire would have the expertise. A civilian would be hired to do all plan reviews in-house and to generate some revenue.

Mayor Morton suggested they look at budget items that can be reduced.

Voice vote not to hire a plan reviewer and instead contract plan review work out for the Fire Department. Motion failed.

Alderman Rainey referred Council to page 221 in the budget, the Summer Youth Employment Program. She likes the program and believes it should be continued, but does not like the 50/50 program (subsidy for private businesses) and did not understand the City's contribution. The program cost came to \$3,000 per kid. A budget memo will be prepared.

Alderman Rainey spoke about the Human Relations Commission budget on page 224. They were told they saved \$52,000. On this page, there is no 2007-08 appropriation column. Why is the savings only \$52,000 from last year to this year? Ms. Carroll stated the former director received a payout. She promised an explanation. In speaking with Human Relations staff, she was told clients have dropped off tremendously. For an entire month, there were only three clients. She thought there are several skilled organizations the City funds that could take on the landlord/tenant responsibilities. That goes for fair housing issues as well. Interfaith Housing and Metropolitan Planning were two organizations that come to mind. Ms. Carroll explained Human Relations has two specialists. One is dedicated primarily to the Summer Youth Employment Program and when it isn't summer, helps with landlord tenant issues. A breakdown will be provided.

Alderman Rainey thought when they lost the Human Relations Director, the program died in terms of service. On page 224, she asked how many people did \$102,200 represent. Ms. Carroll thought one and part of another. The secretary is gone.

Mayor Morton asked if the city manager planned to replace an assistant city manager and an assistant to the city manager. Ms. Carroll stated she planned on having two assistant city managers and one assistant to the city manager.

Alderman Jean-Baptiste referred to budget memo #49, where Ms. Carroll addressed a number of programs in the manager's office that have spun out including new ones. Alderman Jean-Baptiste did not get a sense of new projected expenditures in the manager's office. The cable payment, which increased, was budgeted formerly in Facilities Management and \$330,000 was added in 2007-08 and \$353,000 in 2008-09 as payment to ECDC. Last year \$470,000 was paid out, which includes all public information costs including cable. ECMC asked for more money and their increase went up \$15,000. Printing \$4,000 and postage went up \$2,000. Outside copy services is \$8,300. It is all there on page 86. Alderman Jean-Baptiste said the budget memo did not compare apples to apples. He could not tell if expenditures are increasing or decreasing. He noted that by the time they get to discussion of budget memos, they never get a real analysis. They have 54 budget memos and haven't discussed any. Council members receive them late Friday night and meet the next day. Ms. Carroll will provide a memo. For Information Systems there is an increase of \$77,000 and he needed help to understand that. Alderman Jean-Baptiste asked if replacement of the assistant manager and cutting one assistant to the city manager was reflected in the budget. Yes. It was shown on page 81. Line 1505 shows the elimination of one assistant to the city manager. Alderman Jean-Baptiste noted salaries have gone up \$2,000.

Alderman Rainey asked if the amount they started out with \$94,562,100 includes the economic development director. No, it will be paid out of the Economic Development Fund not the General Fund. Ms. Carroll stated that cost would probably be \$125,000. Alderman Rainey pointed out there is already a person who is an economic development planner.

Human Relations Commission is on page 81. The budgeted amount was \$197,045, then it showed the estimated actual of \$300,000. Alderman Rainey assumed it covered the payout to the director. She thought that should be a separate account because that does not reflect the cost of an ongoing program and requested a memo. Alderman Rainey referred all to budget memo #45, capital improvements, options for delay or reduction. She noted that Lawson Park/Noah's Playground Redevelopment was reduced from \$300,000 to \$150,000. Alderman Rainey moved reduction of bonding from \$10 million to \$9,550,000. Seconded by Alderman Bernstein.

Alderman Tisdahl asked Mr. Gaynor to speak about Noah's Playground numbers. Mr. Gaynor said the reduction was due to increased donations.

Voice vote on reduction of bonding. Motion carried unanimously.

Alderman Rainey asked on page 204, under Environmental Health, about other charges that go from \$15,000 to \$137,000. Michael Wheeler said it shows grants as revenues and expenditures relating to those in the Health Department. It is an accounting change. Alderman Rainey looked at regular pay and noted it went from \$424,900 to \$445,200, but why did social security go up? Ms. Carroll explained that in the past, Management & Budget lumped everything into one number for pay increases, FICA, and Medicare. Last year they attempted to separate them and some divisions were under budgeted. It has been corrected. Ms. Carroll said they would provide the number.

Alderman Holmes went to page 77 City Council's budget. She proposed a reduction of \$18,000 coming from line items 62295 (training and travel) 62360 (membership dues) and 65025 (food) the amount of increase for 2008-09 and Sister City funding of \$5,000. Alderman Wynne asked for a memo on memberships and costs.

Alderman Tisdahl moved, with regret, that the Mental Health Board funding be cut by 10%. Seconded by Alderman Hansen. Alderman Hansen referred to a January 25 City Manager memo on tax levy options, page 4 and the impact of a 25% reduction of the program. There was also a budget memo. Ms. Carroll stated a 10% reduction would be \$85,900. The Mental Health Board budget is \$859,000. Community purchased services are on page 212. The total proposed is \$900,000 but \$41,000 is a grant to Teen Baby Nursery, so the allocation for distribution is \$859,000.

Alderman Bernstein noted earlier they had eliminated positions and with this reduction how does that affect the idea of various agencies stepping up. Alderman Tisdahl said they would not reduce funding to agencies that are willing to pick up the slack and are not asking them to pick up landlord tenant issues, which is inappropriate for most of them. Alderman Tisdahl thought the Mental Health Board would allocate the funding. Alderman Holmes asked about eliminating the increases sought by agencies. Ms. Carroll stated they only asked for \$15,000 total.

Alderman Rainey noted when they look at the numbers, they assume it is money they have to find. She did not understand why the grant was folded into this number. Ms. Carroll said they will make a change and list any grants.

Alderman Hansen confirmed that the Mental Health Board had received a \$15,000 increase last year. Alderman Holmes asked that they reduce the proposed increases instead of cutting 10%. Alderman Tisdahl did not accept the amendment.

Council discussed page 207, Mental Health Board and Community Purchased Services. On a \$900,000 budget, Alderman Tisdahl noted it costs \$142,400 to give away \$900,000. Alderman Jean-Baptiste asked what the administrator of the Mental Health Board does. Ms. Thomas explained the administrator provides support to the board, the allocation process, monitoring, evaluating, and helps to create measurable outcomes that impact services provided. Alderman Jean-Baptiste asked how much it costs to give away \$2.5 million, referring to CDBG. Alderman Holmes thought that an unfair comparison. They have to look at how long people have been at the City and urged them to look forward.

Alderman Tisdahl asked for a budget memo on how much it should cost to give away money. There are general charitable guidelines. Groups she is associated with spend nowhere near this percentage. There should be a policy for the City. If it knows the groups and they are essential to the City, she was not sure how much bureaucracy they need and must be sure these groups are worth \$900,000 of taxpayers' money in the middle of a budget crunch. The City should have enough confidence in these groups not to look over its shoulder as much as, perhaps, it does.

Voice vote on cutting Mental Health Board budget by 10%. Motion carried.

Alderman Hansen referred to budget memo #44 – position eliminations; asked about part-time benefits for part-time positions at Robert Crown, Noyes Cultural Arts and Levy Senior Center. Acting Finance Director Steve Drazner stated they were for IMRF and Medicare if the person works more than 1,000 hours.

Alderman Hansen moved to eliminate the part-time clerical position at Noyes Cultural Arts Center. Doug Gaynor stated that elimination of the second bus driver would not affect the ability of seniors to get to the Levy Center. She would not eliminate the part-time custodian due to the needs at Robert Crown Center. Alderman Hansen added elimination of the part-time bus driver at the Levy Senior Center. Seconded by Alderman Wynne. In response to Alderman Jean-Baptiste, Mr. Gaynor stated they could eliminate that service without an impact to riders by using one bus. They can shorten the time that seniors have to leave and have consolidated the number of stops.

Voice vote on elimination of two part-time positions. Motion carried.

Alderman Holmes moved to eliminate a full-time program manager at Levy Senior Center. Seconded by Alderman Wollin.

Alderman Wynne thought this position provides a lot of service and should not be cut. They built the Levy Senior Center and should staff it properly. Alderman Rainey did not support it either. This program manager oversees programs that generate fees. At one time she thought the quality of programming at Levy could be improved and it has with this program manager. She could not imagine why this was recommended and urged this be voted down.

Alderman Holmes asked what the Levy Center Director does. Mr. Gaynor said the center manager is responsible for overall management of the center and does outreach. She works with Fleetwood-Jourdain Center to improve senior programming. The second program manager is responsible for rental facilities evenings and on weekends and also is involved in the children's theater program. In response to Alderman Holmes, Mr. Gaynor said the senior program is specialized. Fleetwood-Jourdain is a generic recreation center and they are trying to grow the senior program there.

Voice vote on motion to eliminate a full-time program manager at Levy Senior Center. Motion failed.

Ms. Carroll and Council discussed dates for another budget workshop and agreed to meet on Saturday, February 23.

Aldermen agreed that Mayoral/Aldermanic Secretary Dar Francellno be permitted to call people for their résumés for the Blue Ribbon Committee. Mayor Morton asked each alderman and the manager to send Ms. Francellno what they want the committee to do.

Alderman Tisdahl reported that she and Alderman Wollin met with Eugene Sunshine, vice-president, Northwestern University, to ask for help in paying the pension deficit. They took figures from the Fire Department that analyzed fire service to Northwestern. Yesterday they heard that the university will not consider helping the City.

Public Works Director David Jennings stated the City had been out with four crews filling potholes.

There being no further business to come before Council, Mayor Morton asked for a motion to adjourn and the Council so moved at 1:13 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.