

**CITY COUNCIL**

February 23, 2008

**ROLL CALL - PRESENT:**

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

**PRESIDING:**

Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton on Saturday, February 23, 2008, at 9:24 a.m. in the Council Chamber for the purpose of conducting a Budget Review Workshop on the FY 2008-09 Proposed Budget.

City Manager Julia Carroll announced that Council had asked that Ted Windsor, who did the 2006 actuary report, and Alex Rivera of Gabriel Roeder Smith, who did the 2007 actuary report, to speak. Mr. Windsor was not available. She called attention to a table she passed out with four assumptions that showed the difference in the reports.

**Actuary Presentation**

Valuation results as of March 1, 2007 and Assumption Review of the City of Evanston Police and Fire Pension Funds. Alex Rivera, Gabriel, Roeder, Smith (GRS) explained the actuarial valuation depends on the actuarial assumptions and methods and the plan benefits that are defined by statute. Those benefit promises are outlined in the Illinois Pension Code. To determine the financial health of a plan, they go through an actuarial valuation process. They compare what the actuarial liability is for a measure of present value benefit obligation to assets that are currently in the trust. The assumptions are recommended by the actuary, but it is up to the pension board to determine whether the assumptions are reasonable. They provide a recommendation on the assumptions. Two kinds of assumptions are used. One is economic, i.e., return on assets, and is used to determine present value of future benefits and actuarial liability. They look at the investment mix and risk return characteristics of each asset class and liquidity requirements. There is a statutory limit on equities of 45%. Because of that constraint, it is difficult to justify a higher return investment assumption. Some other pension funds are permitted equities of up to 60%. Currently the constraint on economic assumptions is 43% equities, 47% fixed and 10% cash.

When they make an investment assumption they look at future expectations of a portfolio -- the likelihood that the current portfolio can earn a certain return. Their professional standards require that they look at the upper limit, which is the 75<sup>th</sup> percentile. The GRS recommendation was 7.25%, which falls at the 60-65<sup>th</sup> percentile, so there is a 40% chance over the long term that the portfolio would earn 7.25%. In response to Alderman Jean-Baptiste, Mr. Rivera explained there are three classes of assets: equity, fixed income bonds and cash. There is risk with the stock market and with bonds. The objective is to maximize return and minimize risk. Investment policy is best answered by the investment consultant to the funds. They look at general guidelines. Alderman Rainey asked if there are any requirements or standards on investments. Why is only a certain percentage allowed on equity funds? Mr. Rivera said it has been in the pension codes for a while and was increased. Do the pension funds say anything about quality of bonds? There are some restrictions or guidelines. Ms. Carroll offered to pull the constraints on fixed income investments from the pension code. Equities are not as specific. In response to Alderman Bernstein, Mr. Rivera said that downstate pension funds include every Illinois municipality except the City of Chicago. Mayor Morton asked the time period they projected for investment returns. There are two different periods. Investment policy targets 4-5 years. The actuary looks at 30-40 years and the 75<sup>th</sup> percentile, which they don't recommend. Ms. Carroll confirmed that an actuary looks at what it takes to fund the plan over the amortization period and beyond to pay the benefits. Mr. Windsor was using an investment return of 7.5%. GRS looked at the Evanston police/fire pension portfolios and could not endorse the higher investment return. It is a function of how much risk the City and pension plans are willing to take. Then how aggressive are the City and pension boards, depending on who is responsible for that assumption. If the plan does not earn 7.25% or 7.50%, then actuarial losses will be generated and they will see a declining funded ratio over an extended period of time, which implies the model is

flawed. What they want is a model or actuarial process where they have gains and losses in the future that are offset effectively so the average contribution is stable. Through the actuarial process they try to smooth those out. It is a difficult question to address at present. He noted there are a couple of plans that are dangerously close to the 75<sup>th</sup> percentile. What they have to do is state that they don't agree with the assumption, it is too aggressive and qualify their report. If an actuary is forced to use a mandated assumption that is at risk of being outside their professional standards, the report does not have credibility. Their firm would not allow that. He felt that an actuary would do a disservice to plan members and generate losses because the cost would be pushed to the future.

Alderman Bernstein asked if the current assumptions are based on the quality of assets in the current pension plans. Mr. Rivera said they use a capital market assumption model and, based upon expected return, the portfolio, asset mix and each class will generate a percentile ranking of roughly 10,000 trials. Mr. Rivera stated they don't look at specifics of asset class; look at equities and expect them to earn roughly 8.5%. They don't look at whether the equity portfolio has more international exposure so they could add more basis points. It is a general projection of the portfolio. The investment consultant looks at a much shorter cycle, perhaps four to eight years, where an actuary works over a period of time. Assumptions are more general. They want to see policies in place to reach the 7.25% interest rate.

Alderman Rainey said they were here because of the situation that Council finds itself in. When they had the prior actuary, they were a tad under funded, but nobody ever said \$140 million under funded. She wanted to hear his assessment of Windsor's actuarial evaluations. How did they get into this mess? Mr. Rivera did not want to discredit the former actuary. Based on his observations of reports and data reviewed, there is a range of reasonable assumptions. Windsor was probably at the aggressive end. If actuarial models are on the aggressive side, it generates losses. Mr. Windsor was in the range, but at the most aggressive end and did not update his assumptions. In the actuarial process, when a string of losses is observed, that implies the actuarial process needs to be fine tuned. The definition of actuarial losses means that one expects assets to grow at say 7.5%, but only earn 7%; or they expect salaries to increase by 4% but they increase by 5%; or expect a member to retire at age 61, but he/she retires at age 58. Those are examples that can cause loss and increase the actuarial liability. When one sees a string of losses, assumptions should be adjusted so they dampen the losses and generate gains to offset losses. In this instance, there was a string of losses and the assumptions were not changed. That should have been a red flag that Windsor's assumptions were on the aggressive end. Alderman Rainey asked red flag to whom? Mr. Rivera said if one sees a sliding funded ratio that indicates there are losses. Certain events, such as investments, tanked in 2002 and there was nothing the plan sponsor or the City could do because of the market. However, if there were other factors and other margins, that might have dampened those investment losses. Once the funded ratio slipped, maybe the assumptions should have been adjusted to improve the funded status of the plan. Actuarial valuations are not as simple as running data through a model. It is more complex and the experience needs to be reviewed to make sure the model is consistent with experience. That was where Mr. Windsor fell short. Alderman Rainey asked when he referred to, "review the experience," is that something the pension board, Council, city manager and finance director should do? He thought it is the responsibility of the pension boards, Council and the City. They need to be comfortable with the assumptions. The actuary can only make a recommendation and provide commentary as to whether it is an aggressive, moderate, or conservative assumption. Ultimately it is up to, depending on who is responsible for the assumption setting process, management or Council. In some cases the pension boards have the responsibility and in others it is the Finance Department of the city.

Alderman Wollin confirmed that such a review would include any changes in benefits passed by the state legislature. Currently there are four bills on pensions before the legislature. Does the actuary take those into consideration? Mr. Rivera said if there is pending legislation, generally they get a call from the plan sponsor asking them to determine the impact so they can voice their concerns. Once legislation is passed, they have to include that in their valuation. Increased benefits were passed during the last four years and in Mr. Windsor's report they found one or two benefits that were not reflected adequately, but were relatively minor. Even if there is a slight inconsistency they want to make sure it is small.

Alderman Holmes asked what Council needs to do to not fall into this position again. Ms. Carroll explained that each pension board has five members. The finance director serves on the Fire Pension Board and the finance director attends the Police Pension Board. Council has no direct authority over these boards and how they adopt their policies. She stated the reason actuarial assumptions were looked at was the finance director and her concern about the growing unfunded liability and they had experienced actuarial losses. The 7.5% was not earned and the unfunded ratio went down. The red

flag was there. After looking at 2002, 2003, 2004 and 2005 and seeing they were not making headway it was decided to take an objective look at this. Gabriel Roeder Smith has 35 actuaries, quality control standards, and two people who examine the reports. Ted Windsor is a single proprietor. The ability to have checks and balances and the percentile of success may or may not be there. Bob Shonk, former finance director, hired the former actuary. There had been no updates on the assumptions for more than ten years. Most actuaries recommend that the assumptions be reexamined about every five years. Changes in the law or mortality rates, which had happened in the last five to seven years, made it necessary to address this situation. In response to Alderman Holmes, Ms. Carroll stated that from now on they will look at this annually; receive quarterly reports from the fire/police pension funds and show the returns they get. She stated that expenses in the fire pension plan seemed a little high for their investment advisor and wanted to understand that. She will make sure they stay in touch with this every year and let Council know about legislative changes.

Alderman Tisdahl recalled the pension boards came and told Council they had problems and she made a reference to the A&PW Committee to look at this. While she is delighted about what will happen in the future, it is only fair to note the pension boards worked hard to alert Council to this problem.

Alderman Bernstein, in reference to the table comparing Windsor with GRS, asked if the city manager had said that Windsor used prior assumptions without updating them to come up with the 2006 figures. Ms. Carroll stated he used the same interest rate, mortality table and actuarial cost method for all the years he was the actuary. Was he made aware of changes? Ms. Carroll said he would know that because each year (he made the calculation from 1997 to 2006) he would see what had happened to the assets. Mr. Windsor used 7.5% for interest rate, the UP-1984 mortality table, a 4.5% rate of salary increase and projected unit credit as the actuarial cost method. Mr. Rivera used 5% as the rate of salary increase, which is more in line with experience. Alderman Bernstein thought the assumptions were educated guesses. Council is trying to assess the validity of the new numbers. If you have 10 actuaries would there be 10 different reports. Mr. Rivera stated generally there is a range and two other tables. One is the KR94 table, which is more conservative than the 1983 table (individuals are expected to live longer). Also there is a 1971 group annuity mortality table used by the Illinois Department of Insurance. It falls between the UP-1984, which stands for uninsured pensioners, and is based on pension data. The 1993 group annuity mortality table is based on pension and insurance data. Insurance companies have more margins when they set their tables (due to profit margin). Inherently the 1983 table is more conservative. The uninsured pensioner table does not have a margin so that difference causes the projection of lives in the 1983 table to live longer. Alderman Bernstein asked the nature of the uninsured pensioner table. It consists of a group plan whose members participate in an employer's plan, but those plans are not part of an insurance company's group annuity contract. Those are public and private sector plans. The group annuity table is information insurance companies would use when they set their premium rates and, because of that, there are margins. The reason he thought those are better tables to use is life expectancy and longevity. Looking at general statistics, individuals are expected to live longer due to medical technology and they have data from more current tables. There are later tables, from 1994 and 2001. They see a trend toward mortality improvement. Therefore, they have to start leaning toward mortality tables that project members to live longer. By using the 1983 table, they set the valuation process so eventually they can use the 1994 table.

Alderman Jean-Baptiste asked if salary increases averaged 5% or 4.5%. Ms. Carroll said in the past, increases were between 3.5% and 4% and officers got step increases, which brought it closer to 5% or 5.5%. She will provide a salary increase history. Alderman Jean-Baptiste thought recent wage increases were 4.5%. What would be the impact of this through 2033? With the new assumptions they received six months ago, Council now is considering making a significant contribution to the pension funds and trying to figure out if the assumptions are correct.

Mr. Rivera said the valuation shows \$91 million for the retirees and \$48 million for actives. Looking at financing only the retirees at \$91 million, they use a Level Percent of Pay Amortization. That means the \$91 million will be financed at a level percent of pay assuming that salaries will increase at a rate of 5%. If they assume salaries will increase at a rate of 4.5%, more would be needed to finance the \$91 million. By decreasing the rate of pay increase, the contribution rate is actually increased. They have to be careful when they classify this type of change as a cost increase. They will spread the financing of these benefits over the Level Percent of Pay Funded. The 4.5% is still in the range of reasonable. In their view, the real problem is the mortality table. That is the one that really increased cost. He has data in the presentation that demonstrates which factors caused the liability to increase. A sensitivity analysis could be done.

Alderman Rainey said when the salary increases the portion paid by the member goes up. She asked when they look at mortality tables, do they look at the population in general. Mr. Rivera said it is population in general and is data from 40 large insurance companies. There are no mortality tables for public safety plans. He said they have disability mortality that addresses some issues when firefighters leave sooner.

Mayor Morton noted when they speak of salary increases he said that the pension boards and City should be comfortable with assumptions. Were the assumptions presented to the pension boards? Mr. Rivera stated they work directly with the finance director and presented information to him. He believed it was shared with the pension boards. Ms. Carroll said in earlier presentations the actuarial assumptions were presented. Mr. Schoolmaster felt this valuation is closer to what the pension boards have requested for some time.

Alderman Bernstein noted they were working on assumptions of \$140 million in unfunded liability. What was Windsor's number? Ms. Carroll stated Mr. Windsor's valuation was done in 2006 and was about \$100 million. He did not do a 2007 valuation and, if he had, even using his assumptions his numbers would have been higher. To truly compare, they would need to have both actuaries do this study.

Mr. Rivera commented on the cost method GRS recommended. The key difference between this and the projected unit credit method is that this method budgets cost as a level percent of pay. Projected unit credit determines costs in proportion to the service the member has earned. The entry age method produces level percent of pay. Roughly 90% of the public sector plans use the entry age method because it produces level percent of pay funding. One key assumption is the retirement rate. The GRS average retirement rate is age 54 and Windsor's was age 56. One of the reasons his age was higher was that his assumptions did not change over 10 years; he did not take into account benefit improvements that caused members to retire sooner. The GRS model takes that into account and it generated a significant level of cost because, on average, members received two more years of pension benefits.

Alderman Rainey did not understand the difference in the actuarial cost methods. Mr. Rivera cited an example of a contribution of \$6.7 million. According to this method, it will increase by wage inflation or roughly 4%, not total salary increase or merit pay. They assume, as new members come in, the contribution will increase by roughly 4%. When compared to total growth of payroll, which they assume is 4% wage inflation, that cost will be level as a percent of pay. As payroll increases the contribution increases by roughly the same percentage. Projected unit credit is the present value of benefits divided by total service that generates the normal cost. The unfunded actuarial liability is amortized as a percent of pay.

Mayor Morton asked if the former actuary's assumptions and GRS assumptions were in the same range. Mr. Rivera characterized Windsor's assumption as aggressive. GRS assumptions are between moderate and aggressive. He would not sign off on Windsor's assumptions. If an actuary makes recommendations that cause the plan to deteriorate, he has not performed the function of protecting plan members. They need to make sure there is money to pay police and fire pensions. In response to Mayor Morton's question about how he makes an assumption about interest income, Mr. Rivera stated they look at a model that projects the current portfolio into the future. He said the pension boards and their investment advisors have a fiduciary obligation to ensure they earn the assumed interest. It is assumed they will take care of the asset side and earn, on average, 7.25%. Mayor Morton stated they could be right and they could be wrong. Mr. Rivera explained they hope the interest would be close to 7.25% over the long run. The entire set of assumptions is important. Windsor's interest rate, mortality rate, and retirement age were at the aggressive end and certain benefits were not valued. When all factors were taken into consideration, if there had been just one aggressive assumption they could have had a reasonable contribution. His model had many assumptions that produced actuarial losses year after year. If Windsor had reasonable assumptions and moderate demographic assumptions on mortality, cost method, retirement rates and the interest rate was 7.5%, it might have been okay. But the combination of assumptions was too aggressive.

Alderman Rainey asked if actuaries have a fiduciary responsibility to their client. Technically, they are not fiduciaries. They have liability, so if they don't do their job they can be sued. Alderman Rainey asked what does it mean when an actuary does not "do their job." If there are not enough assets on hand to pay police or fire pensions when those employees retire, they have failed. Say in 40 years there is not enough money, what obligation does an actuary have to his client? Who is the client? Mr. Rivera said the client is the City or it could be the pension boards. In Evanston, GRS

views the finance director as the primary contact. Did Windsor ever come to the City and tell them that they were taking two steps back and one forward? Ms. Carroll never met Mr. Windsor. The relationship was with Finance Director Matt Grady, who looked at what was happening with funding levels and that raised a red flag in his mind. He met with Mr. Windsor and determined the City should take an objective look at the assumptions. Ms. Carroll was pretty sure that Mr. Windsor met with Bill Stafford as Windsor's last actuarial report was March 1, 2006. GRS did the March 1, 2007 report.

Mr. Rivera reviewed a comparison of the assumptions. His conclusion was the mortality rate, cost method, retirement rates and changing the interest rate caused the increase in the liability and contribution rates. In summary, he stated assumptions must be reasonable both individually and in the aggregate. Assumptions are based on future expectations and should be updated every five to seven years. They should look at gains and losses over each valuation cycle to monitor and see how demographic assumptions are doing. They should also look at economic assumptions regarding expected return versus actual return. Margins are important, so if there is a loss on the retirement side, perhaps there is a gain on the termination side that they are offsetting. The prior actuary had little margin in his assumptions.

### **Citizen Comment**

Edwards Potts, 1619 Florence Ave., Mason Park Neighborhood Association member, handed in a petition with 264 names requesting \$100,000 to support activities for middle school children. The purpose of the activities is to address behavior problems and incidents over the past year, when they witnessed a 50% increase in police calls relating to youth. The renovation of the park cost more than \$1 million. Part of the Department of Interior grant requirement was that there be program activities at the park. Some may ask why spend \$100,000 for youth activities? He urged them to consider it from a cost/benefit perspective. If they can engage youth positively, it helps Evanston's image and livability. They have had increased problems with youth in the community and it is known that youth who become involved in the juvenile justice system will cost on average \$25-35,000 annually. If they can engage 100-300 youth in character-building activities, they can save a lot of money long term. This investment should be looked at from a prevention perspective.

Paula Ketcham, 1524 Grove St., spoke for the Mason Park Neighborhood Association. She wanted Council to be aware that when the City made a proposal to the National Park Service to reconstruct Mason Park, certain representations were made regarding its intentions for the park and, the field house, in particular. She read passages from the grant proposal; stated the Mason Park field house is locked and inaccessible. The proposal cited benefits to low and moderate income residents with free or low-cost programs. The proposal says there will be several employment opportunities for high school students. Their group asks that the City make good on the representations to the federal government when it sought and received funding. The neighbors recognize there are serious budget issues and they are seeking private funding and applying for several grants, but clearly, that won't provide enough funding. (Alderman Wynne moved that time be extended to this speaker. Seconded by Alderman Bernstein. Motion carried unanimously.) She reported that Mason Park was recently allocated a budget of \$30,000 to be expanded only if current program efforts are successful. They have no desire to micromanage the program. In December, a drop-in program was initiated at the field house. It was announced in the winter issue of *Arts & Recreation* and school newsletter, with no signs or notice to the community. The field house had a couple of folding tables and chairs. They held focus groups of school children and none were aware of any program there. They are concerned about the response to their proposals; believe it is a vital program and there is interest. They want to see City dollars used appropriately.

Alderman Rainey said because this was brought to Council again, she requested another commentary on memo #52 from Parks/Forestry & Recreation Director Doug Gaynor. They got a spreadsheet on expenditures for Mason Park that was not in the budget. Has he found any additional funding? Alderman Jean-Baptiste stated that Mr. Gaynor would not find money because the manager did not budget programming money there. He asked Mr. Gaynor if Ms. Ketcham's presentation is consistent with the proposal submitted to the federal government and whether the kind of programming pulled together in response to the community is comprehensive and such that would attract youth so there is a viable program. They promised to deliver certain services and got funding on that basis. They made a response that fell short of expectations and did not bring about the result they were seeking. Alderman Rainey, as chair of the CD Committee, assumed that they did not allocate hundreds of thousands to the Mason Park field house without programming. They don't build field houses without planning programming.

Paul Selden, 1235 Maple Ave., executive director of Connections for the Homeless, urged Council to put money back into the Mental Health Board. Non-profit agencies put together a hodge podge of balancing funds from different sources. For every \$1 from the Mental Health Board, they get \$4 in federal funds. Without the money from the Mental Health Board, they will lose federal funds. The impact is relatively small because 10-15% seems like a small cut. In the overall context, it is the money they use for street outreach. It is the one budget in their organization that struggles every year. If they are cut by \$3,000 that really means a cut of \$15,000 and that sum from a \$100,000 program is a significant cut. This is happening when their street outreach team is seeing a two-fold increase of people living on the street. Last year at this time, they worked with around 100-110 people. So far this year, they have worked with 220. They will deal with more than 400 by year's end. The cut has a significant impact no matter how small the dollars are. If they take the \$89,000 and go to the other agencies, they will have similar problems because their money is leveraged against other funds. The money the City saves will cause a large hole in human services here. All agencies and city government have to make difficult budget decisions and ask if it is an essential or a desirable service. Over the past 20 years human services has been cut 50%. To cut it further, they will go well beyond the point in which they can claim anymore that this is desirable. He did not see how they can balance the City's budget on the backs of the poorest people in town.

Don Baker, 1224 Sherman Ave., executive director of Y.O. U., asked to exceed the time limit. (Alderman Bernstein moved approval. Seconded by Alderman Wynne. Motion carried unanimously.) He came to Evanston 40 years ago to study at Garrett Theological Seminary and got his first job working with youth. He was enrolled in an experimental curriculum that used Evanston as a laboratory and was immersed in social, political, economic and religious life to learn about ministry and community. He outlined four facts he learned along the way. This is a difficult time financially for the City but even more difficult time for low-income residents. The rich are getting richer and the poor keep getting poorer across the nation and Evanston is no exception. The poverty rate for families served by Y.O.U. over the last five years has been 83% compared to 73% in the preceding five years. Money spent now on prevention and early intervention services will save money in the long run. The cost of services for one youth at Y.O.U. is about \$2,600. The average cost to incarcerate one youth for a year is about \$43,000. For the same amount Y.O.U. can run a five day a week after school program for 60 kids for a year. Providing human services through non-profit agencies is economically efficient because they have lower overhead and provide services at less cost than the City. At Y.O.U, an entry-level worker with a bachelor's degree makes \$28,000 annually. A counselor with a master's degree makes \$36,000. How does that compare with the professional staff at the City? In addition, non-profit agencies leverage local dollars from federal and private donors. Y.O.U. brought in \$13.69 for every dollar they received from the City. Showing that they have the City's support is critical. Sometimes this means matched dollars and sometimes it is a demonstration of support that is critical to their ability to be successful. He heard that morning that the average raise was between 4.5% and 5% for City employees. For Y.O.U. raises have been between 2-3%, including cost of living and longevity. The City's allocation to support community-based agencies has not increased in 12 years and has decreased by 50% when adjusted for inflation. He learned in 1967 that Evanston's stability is based on: proximity to the lake, access to commuter transportation and the presence of Northwestern University. He learned that Evanston talks a better game than it plays. Too often people talk about each other rather than to each other and practice drive-by diversity. When polled, citizens put diversity at the top of what they most like about this remarkable community. Thus, supporting diversity is a core service much like police or fire. Our most vulnerable citizens: children, the elderly, the mentally ill, and the poor, need a safety net that adds to the cost of living here. Most have made the judgment and are willing to pay that cost. He was told that if there was no budget crunch, Council would not consider cutting human services funding. He called upon them to restore the 10% cut to the Mental Health Fund and next year, get back to where they were in 1996. Budgets allow people to put into action values and words. It is tough to do the right during hard times, but he urged them to do the right thing.

Jeanne Lindwall, 625 Library Pl., suggested some alternatives to further reduce the property tax levy. The capital improvement fund, for \$10 million, will be part of the tax levy. Staff found some reductions could be made without impacting the projects. She suggested they look at deferring more capital improvements. As one who worked on capital budgets for some years, capital improvements are near and dear to her heart. She suggested a 10% reduction in the capital improvement budget might be in order. The Lakefront Master Plan is budgeted for \$750,000. That is important and it may be possible to fund that at \$250,000 and increase it in the future. Another example is \$600,000 for information technology applications, which could be decreased. There are probably more elements that could be deferred. Most others are enterprise funds, which are restricted as to how they are spent. The Economic Development Fund is not restricted. She suggested that hiring of an economic development director be eliminated or deferred. The City is still

figuring out the downtown plan and strategies. More discussion is needed on what kind of economic development they want to consider. Should there be more condominiums with retail or more offices? There is \$340,000 earmarked for consulting services in the Economic Development Fund. Given the pressure on the property tax levy, shift more money into the General Fund and wait another year or two to get an illustrious master plan. They have \$70,000 for redevelopment consulting services, \$65,000 for business district improvements and could probably find \$250-500,000 that could go toward General Fund without adversely affecting City programs.

Joan Kelly, 1003 Wesley Ave., is a commercial lender with First Bank & Trust and spoke on behalf of the bank. As a community bank, they are involved with non-profit organizations whether they bank with them or not. They serve on boards and are involved. Last year has been tough for non-profits; especially rough the last six months due to the delay in promised payments by the State of Illinois. They have extended credit to many organizations where that was not needed in the past. The 10% decrease to the Mental Health Board puts them in a terrible position. They looked at the income level for many of the families served. Head Start guidelines for a family of two are \$13,600 annually and \$20,650 annually for a family of four. These families live on between \$37-\$57 a day. She suggested that the City, banks and private donors are safety nets for these organizations. As a member of non-profit Y.O.U., they challenge themselves to increase funds from private donors, so they can rely less on municipal support and engage in new donors, which takes time. When they lend to people who cannot pay back, they give them time to work it out. Instead of cutting Mental Health Board funds, she asked that they keep the current funding level.

Kevin Limbeck, spoke on behalf of Family Focus, stated the need is great for non-profit organizations and he urged Council to reconsider the cut to the Mental Health Board funding. A dollar invested will make a world of difference.

Junad Riski 2267 Ridge Ave., suggested that the management of the Mental Health Board by the City Council has not been good. Staff to the Mental Health Board will retire and should not be replaced. That is another \$120,000. He suggested another organization, such as the Community Foundation, manage this function. He has problems with the current system calling it an entitlement system with the same people getting funds. He felt some agencies should not be funded. One agency that helps criminals duplicates services provided by the Evanston Community Defender. The \$75,000 they receive could go to the Mason Park neighbors. Some aldermen think this is a good agency and donate their own funds. He has a problem with health insurance benefits to aldermen, which costs \$100,000 annually. Nobody in the private sector has benefits like that. The \$100,000 could go to these programs and Council members don't need this benefit. The real salary of eight of ten Council members is \$22,000 for a part-time job.

Kate Mahoney, 2538 Gross Point Rd., social worker came to Evanston in 1977; asked for restoration of the 10% cut to the Mental Health Board. She described an experience with a 16-year old girl whose mother was in jail as an example of the people they try to help. People are really struggling. State funds are the same for somebody who lives in Cairo as Evanston and it costs more to live in Evanston. They need funding to cushion people who live here and that is what they do with the dollars provided by the City. She recognized that many there have made contributions to her agency and others, have served on the boards and understand the issues. There are children, families and senior citizens in need. The most vulnerable people range in age from birth on. This budget got balanced last year by cuts to the Health Department. Many agencies have picked up some of those services. They do HIV testing and counseling at Peer Services. They have people coming they have never seen before, such as teenagers with sexually transmitted disease. There was a promise this would be picked up by Cook County. That is not happening. Their staff now does more case management and linking, so Mental Health did get cut significantly. Staff makes money here, spends here, buys their supplies here and is part of the economy. A member of the Chamber of Commerce, they are part of the service net and need help.

Martha Arntson, 1024 Simpson St., executive director of Childcare Network, shared parts of letters from families who received scholarship funds. All funds go directly to families and are not used for administration.

Gerald Gordon, 1228 Lake St., responded to Mr. Rivera's presentation, which he thought was excellent. He wants to hear Mr. Windsor's response because the discrepancy in the two valuations is two-thirds of GRS. It was noted that Mr. Windsor did not have the resources of GRS. In the first GRS report, 25 variables were listed and some he touched on that day. He responded to that report and asked if the results are cast in concrete. The response from then finance director Matt Grady was that rules could allow two actuaries to come to two different but equally reasonable conclusions. Now

the shortfall found by GRS is \$140 million and he questioned if that number is cast in concrete or is there any way to hang their hat on that. That number has seriously distorted the budget, social services, capital improvements and everything. Council members have to decide whether \$140 million is the right number or if another number between that and Mr. Windsor's number is correct. He urged them to consider the matter carefully.

Jeff Smith, 2427 Harrison St., asked Council to look at page 16 in the budget. There \$35,000 additional revenue is projected for residential parking permit fees. On page 17, the residential parking permit fee is \$10 a year. On page 233, there is a slight discrepancy showing a \$37,000 increase; \$37,000 divided by \$5 increase adds up to 7,400 permits. On page 233 it states the existing assumption is they made \$118,000 from existing permits and project up to \$155,000, which indicates the City actually sold 11,800 parking permits. On page 416, the activity level indicates that permits sold are 5,170, so there are discrepancies he did not understand. Assuming parking permit sales at \$118,000 are reported accurately, there has to be 11,800 permits sold. That would equate to an additional \$22,000 of revenue based on a fee of \$15. Assuming there is one permit per car and 11,800 cars use these permits, then they are essentially maintaining a 12,000 car surface parking lot dispersed throughout the City that is double the capacity of all the City's parking lots and garages combined. It means publicly owned and operated streets are used as exclusive semi-private property. That comes up to 40 linear miles of curb. There are 140 miles of streets and with two sides that is 254 linear miles. It comes to about 1/7<sup>th</sup> of the entire curb space. Compare this with the daily cost of a parking lot or parking garage, which is \$80 (projected to \$85) and \$960 annually. Market value of a parking space is about \$1,200 a year. People can spend \$10 or \$15 to park in a driveway for a football game. There is the cost of using a parking meter to go to the train. They can compare the market value of a deeded parking space when a condominium or apartment is sold. It is in the thousands of dollars. It appears, from a market analysis, that the City grossly undercharges for these permits. There is maintenance, sweeping and plowing of streets. Those three operations cost \$3.5 million. If that is divided by the number of linear miles or feet of curb space, the average cost to patch, sweep and plow is about \$50 and is more when signs and stickers are added to run the program. The City only charges \$10 a year and it will go to \$15. With this type of cost, the other citizens who don't have use of that space actually subsidize the cost to the City. In many cases mass transit use is discouraged because the radius around the train stations for parking permits has been extended so far. He suggested an owner of a \$500,000 or \$1 million house, if asked to pay \$50 for the privilege of keeping Northwestern faculty and students from parking in front of his/her house, would probably say yes. He only looked at the cost in comparison with other municipal parking lots where the City undercharges. Given the other needs in the City, this could fund Family Focus. He suggested that people will pay \$50 and some exceptions could be built in. If they did, it could raise \$472,000 and would be a good thing to do.

### Discussion

Mayor Morton said it seems when the Council wants to raise funds, many say no. Some have only self-interest and others don't see the big picture. This Council has come up with suggested elements they need to eliminate and needs community support when they find something sensitive and sensible. The situation is not easy and Council members are sensitive to these agencies. Evanston prides itself on what it does for people. Evanston's affluent community has begun to diminish.

Alderman Moran moved to restore the Mental Health Board funding allocation to the previous level. Seconded by Alderman Bernstein.

Alderman Tisdahl did not believe they could support diversity in this community by increasing the property tax so much that it drives diversity out of town. People are not present, because they trust Council not to raise taxes, which happens every time property taxes are increased. She appreciated the enthusiasm expressed for non-profits. Passage of the referendum on the real estate property transfer tax would have generated between \$600-800,000 and would not have forced people to leave town. The community voted no. She supported the referendum.

Alderman Bernstein supported restoration of these funds. Council members received a memo from the manager about transfer of funds and he wished to discuss that. One speaker talked about deferral of capital improvements. He came here for the hearts not the mortar. He thought they have to continue to fund the Mental Health Board and voted for the referendum. He understood there are sufficient reserves even after a transfer of some funds. He wished to talk about replacing the Assistant Director Harvey Saver and understood that they will lose an assistant zoning director.

Alderman Holmes has been on the other side asking for support from Mental Health Funds. Diversity comes with a cost. If they want to do more than drive-by diversity, then they have to “suck it up” as the kids say. She knew the difficulty of raising funds without the ability to demonstrate community support. It does not seem like a lot of money, but it is when operating a small agency. She would vote for restoration of funds. If they can restore injections for the elm trees, they can do this. By combining two positions in the Health Department, they will save more than \$133,000 and cover the \$85,900.

Alderman Wynne favored restoration of the Mental Health Board funding. If there is a way to shave their capital improvement budget, she could support that. She suggested exploring suggestions about the Economic Development fund. She did not agree with raising the parking fee; \$50 is too much to ask people to pay to park.

Alderman Hansen said the referendum’s defeat was a sign the community did not want more taxes. They have to stick with the cuts they have made. She could not vote to restore mental health funding without hearing from the city manager.

Alderman Moran said that funding for human services has not increased for 12 years. In real term dollars, human services have been cut 50% by not increasing this allocation. They are committed to pay almost a half-million to improve the animal shelter. If they cannot commit \$85,000 for this, they are in worse shape than he thought. Alderman Tisdahl was concerned about what Evanston will look like in 10 years if the City delays paying public safety pension funds and capital improvements. Then look at whether they have gone through gentrification so the neediest cannot live here and they will face a community that cannot afford a mental health board. If they can get their budget under control, they can fight their way out of the budget mess the City is in. By law they are required to pay the fire and police pensions.

Alderman Bernstein voted previously to use the number given by the actuary and is not sure of what that number is. He favored the use of one-time fund reserves but noted it creates a hole in next year’s budget. He has witnessed a slow gentrification since coming to Evanston and that many who lived here now could not afford to move in. He was looking to defer capital improvements. This is a strange time. They were told what they thought was a minor under funding problem is a calamity. He was willing to commit reserves to restore mental health funding.

Alderman Jean-Baptiste said there is a memo to transfer \$1.2 million from the fund balance. They might not hire an Economic Development Director; reduce capital improvements by \$1 million and other ideas. He wanted to address Mason Park. Mr. Windsor will speak at another meeting. He moved to table the motion. Seconded by Alderman Wynne.

Roll call. Voting aye – Tisdahl, Rainey, Hansen, Wollin, Jean-Baptiste, Wynne, Bernstein. Voting nay – Moran and Holmes. Motion carried. (7-2).

City Manager Carroll explained the reason staff suggested a transfer from the fund balance was the sense that Council did not want to cut services to balance the property tax. Knowing they are uncertain about the pensions, she was willing to suggest going against budget policy so they could wrap up this budget and work through the year to reach agreement on the actuarial valuation and end the debate. She noted the Mental Health Board asked for a \$15,000 increase from \$844,000 last year to \$859,000 this year. Did they want to restore to prior funding or requested funding? Several voices stated the prior year funding. She said that two properties had generated fees; one is Evanston Hospital’s cancer unit and the other is the chiller plant at Northwestern University. Next year they will see higher pension costs.

Alderman Rainey asked about expenditures in Streets & Sanitation to cover snow plowing and salt. Ms. Carroll said she had put in more than \$2 million in this year’s budget to cover those costs. There is more than \$4 million in reserves. The 8.5% reserve as part of budget policy is there. Alderman Rainey moved to add \$1.2 million to the General Fund. Seconded by Wynne. Motion carried.

Alderman Wynne favored funding the Mason Park Field House recreation services.

Alderman Moran moved to take the item off the table. Seconded by Alderman Holmes. Motion carried unanimously.

Alderman Moran restated the motion to restore to the Mental Health Fund the allocation of \$70,900 for a total \$844,000. Motion carried. (Alderman Wynne left the meeting at this time.)

Alderman Jean-Baptiste moved that they fund recreation services for the Mason Park Field house. Seconded by Alderman Wollin. Alderman Hansen asked the amount they were funding - \$111,000 or to follow Mr. Gaynor's recommendations. Alderman Holmes was concerned about the programming they will offer and having sufficient staff. Mr. Gaynor referred to budget memo #52. They have heard from youth that they want computer games and can be provided computers for after school that would start in 2008-09. To take it up to \$112,000 would involve a full-time staff person and year round from 3:00 p.m. to 10:00 p.m. The program is supervised currently by staff at Fleetwood-Jourdain. Alderman Holmes did not know why they needed somebody until 10:00 p.m. Most youth are home by 7:00 p.m.; thought they had talked about two part-time people. They need sufficient staff to supervise youth and can use volunteers to help out. In the memo they talked about furniture, television, tables and chairs. Mr. Gaynor said they have moved in equipment and are writing a grant for additional computers. In the summer they go later than 7:00 p.m. The facility is used for community groups. Whether they have two part-time people or one full-time person, they will need to meet with folks and develop a program. Ms. Carroll said to fund Mason Park at \$111,000 versus what was budgeted, \$82,775 would need to be added. Staff looked at 2008-09 as a transitional year.

Alderman Hansen suggested they look at positions. Could some full-time positions be converted to part time and save costs? She suggested \$28,775 funding for this year, then see how the program works. Alderman Jean-Baptiste said they are committed to have some activity there; thought they could find equipment but they have to make a commitment up front or the program will fail. Alderman Hansen asked Mr. Gaynor if he would hire new part-time people or funnel people from other recreation centers. Mr. Gaynor reiterated that Fleetwood-Jourdain staff currently oversees the program at Mason Park. Their intent is to hire some part-time staff with additional money and get the program up and running. Based on success and evaluation they would determine what the second year would be. Alderman Hansen asked if they hired a full-time person would that person replace the part-time staff. Mr. Gaynor stated both would be needed and, if they go to the full hours projected, they would hire full-time staff and need some part-time staff, which is included in this budget. Alderman Holmes stated they need people to supervise and oversee the program rather than somebody to plan. Kids are magnets for good programming. Her concern was the correct ratio of adults to children. Mr. Gaynor said they have extended a modified cut-back program at Mason Park. To go to a full-time program there, he could not afford to take staff from Fleetwood-Jourdain. They have stretched it out. If the program is successful the first year, they will hire full-time staff to augment the part-time staff. Alderman Rainey said it sounds like the program is as flexible as possible; supported using part-time staff. For those on the CD Committee, this location, with an exciting program, seemed perfect for assistance from CD. Programs could be developed in this time period. Alderman Jean-Baptiste thought leadership would create a viable program to serve kids in that neighborhood. Staff committed to another center and director won't be a program. He suggested finding money to fulfill the objective. They are setting up for failure with part-time people.

Mayor Morton asked if all unfilled positions are included in the budget. Ms. Carroll said all are budgeted and the economic development director is in the Economic Development Fund, not the General Fund. The Mayor noted the only time Council has a say in where funds go is the budget. If they don't want a position, it is through the budget that it is eliminated. They have to make up their minds what to do and stick to it. Alderman Jean-Baptiste is correct that it takes a good person working with children to attract children. There has to be a boss to say what they are going to do.

Alderman Wollin asked if the \$57,000 in the chart includes a part-time person. Yes. Alderman Wollin spoke as a part-time employee and thought she provided leadership without being full time. It is a matter of commitment. She has been impressed with neighbors and volunteers, and wanted to support that. She was not sure this is the year to put a \$50,000 employee on the payroll, but favored opening Mason Park for more hours.

Alderman Holmes agreed with Mayor Morton; was concerned with starting a new program if there is not enough supervision. If they have 20 kids coming in daily, one person cannot handle that. It doesn't matter if the staff is full time or part time, when they open the program they must have the correct amount of supervision regularly. It would be better to have two part-time people. Alderman Holmes was not clear on whether the \$57,000 was for new people or staff from Fleetwood-Jourdain. Mr. Gaynor said the \$57,000 is for staff with increased hours. They have a supervisor for every 10-12 kids. The City won't spend money for staff until they see the number of kids. That was the rationale for starting the program, to see what it grows to.

Alderman Jean-Baptiste said this facility was renovated then it sat. The original intent was to serve young people. There has been progress, which resulted from the intervention of Mason Park neighbors. There is no comprehensive thinking of what they will do there and no vision. Council needs to direct Mr. Gaynor to serve youth of low and moderate income in the neighborhood, the same as they do at Fleetwood-Jourdain and Robert Crown Center. That was what he thought they were going to do. Ms. Carroll said if Council would give direction on the kind of programming they want, they will figure out how to pay for it; urged them to vote this up or down. Alderman Jean-Baptiste moved to add \$50,000 so they would have an allocation of \$71,500. Seconded by Alderman Holmes. With \$29,200 in the budget, the allocation is \$79,200.

Alderman Rainey said the flexible way to go is with two people. Mr. Gaynor was not sold on full-time staff but would provide as many hours as they could at Mason Park using grants, donations and volunteers. He will report back to Council next January on the success of the program.

Alderman Rainey noted at the beginning, the Clyde-Brummel program had computers but no one knew how to operate them so it became a baby-sitting service. The quality of people hired is the key.

Alderman Moran pointed out that Mason Park neighbors had provided a vision. It seemed to him there should be time taken to develop a vision with budgetary elements and build in flexibility in terms of funding. Some kind of intermediate funding proposal would be needed.

Alderman Bernstein thought they had an obligation to fund programming there because the City accepted grant funds.

Alderman Holmes requested that quarterly reports on what is happening at Mason Park be part of the motion. Alderman Jean-Baptiste accepted the amendment.

Alderman Tisdahl asked if \$79,200 would run a quality program. Mr. Gaynor said there was a vision and it will take some time to hire the right people. They won't hire until March 1. They will have a good program but it won't be like Fleetwood-Jourdain. The grant application was not specific about the type of programs that would be offered at Mason Park. There are ball and soccer fields, a playground, a rather large basketball facility and the field house. Formerly they had programs at Ackerman, Baker, James and Mason Park, but those were eliminated due to fiscal constraints.

Voice vote on \$79,200 for Mason Park programming. Motion carried. No nays.

Alderman Rainey went to page 394 in the budget, the Economic Development Fund. This fund has the hotel tax and amusement tax. The Economic Development Director salary is \$120,000. Two positions are budgeted at \$201,700, the director and planner. Alderman Rainey moved that they take \$120,000 and put it in the General Fund. Seconded by Alderman Jean-Baptiste. She did not think a director needed to be hired for several months. This is a strange period in Evanston development; thought it important to step back and give it some thought. She would rather see some money spent in the city manager's office to help aldermen. In the Planning Division there are people familiar with economic development. Morris Robinson is an economic development specialist and put more focus on him. Right now she believed they needed to have the \$120,000 in the General Fund.

Alderman Moran pointed out that when Assistant City Manager Judy Aiello retires, they will have a major cavern in economic development expertise. The community is clamoring for various things and they need somebody to steer the ship. A coherent plan for economic development needs to be created. These are difficult times but they should not dismiss building a foundation because there is conflict in the community. Somebody with expertise is needed to assist Council as they go forward. That person needs to be hired. Ms. Carroll said even if they take this position out they need to plan for the future. She did not think the way out of budget problems is more mixed-use development. It is more about office buildings, creating jobs, and expanding and retaining businesses. Even if funded for part of the year it would be worthwhile. They have had five people working on economic development. Alderman Rainey's idea was that the Planning Division needs to be more active with economic development. Ms. Carroll said it is about being pro-active instead of reactive. Alderman Rainey stated there is a lot of planning going on that needs to be solidified.

Alderman Tisdahl thought that Morris Robinson is a tremendous resource; agreed with the manager, they cannot just keep building condominiums and mixed-use buildings. She wanted Council to have a concept of where to go.

Mayor Morton asked when the City would get the first dollars from a TIF district. 2009-10. Ms. Carroll explained that 2008 is the last year the City can levy taxes in the Downtown II TIF District. Beginning in 2009, they can levy taxes for the General Fund, for the EAV from the TIF and get the first tax dollars in 2010-11. Estimated revenue is about \$2.3 million. That increase is built into the five-year projections. Alderman Jean-Baptiste supported the motion because they have staff in the Planning Division. He wanted to see what the manager expected of an Economic Development Director in light of planning and the current situation. Perhaps this could be discussed Monday. (Alderman Jean-Baptiste left the meeting at this time.)

Alderman Rainey moved approval of the rental licensing program at the rate of \$40 per unit. Seconded by Alderman Holmes. Aldermen Rainey and Holmes had discussed some consideration for older citizens who live in the building. Alderman Rainey went to court recently where a case had been ongoing since 2002. It is a two flat with illegal basement units similar to a rooming house. The judge gave the woman another month. Staff and taxpayers have probably spent tens of thousands of dollars attending to this two flat. Then came 303-309 Sherman, which also cost tens of thousands of dollars because the landlord refused to admit inspectors. To inspect they have to go to court and get an administrative search warrant, when the units should have been closed down. This program costs too much. Landlords are business people providing a necessity to the human race and it should be decent housing. Rents are high here. Landlords that have decent housing have occupied units. She directed staff to make some exception in the ordinance for senior citizens who rent out space. Alderman Holmes supported this action.

Alderman Moran did not support this effort; knew there are some bad landlords, but viewed this as an effort to collect money from those who maintain property and observe the rules. It is unfair to ask the good landlords to pay for the miscreants. Evanston is running out of rental housing. It is a way for people to live in Evanston without having to buy a home. The economics of rental housing have gotten more difficult and margins have shrunk. Landlords cannot pass on all the increased costs to tenants. Clamping down harder on a unit means they will take a big hit. They have seen licensing costs of \$10 a building. \$40 is not warranted. They need to figure out a way to bring the bad landlords to justice.

Alderman Rainey said the amount of rental housing is about to increase significantly. There are 221 units coming on line on Howard Street and a proposal at Chicago/Kedzie that would double that amount. Ten years ago people said that they couldn't license landlords because it would hurt the good guys. There is no other way for staff to create better housing units. Administrative adjudicators let violators off left and right.

Alderman Wollin said a concern voiced at a Housing Commission meeting was a 48-unit rental building operated by a non-profit. Tenants are disabled, elderly or living on Social Security. This licensing fee would mean a \$2,000 annual increase for 319 Dempster St. Non-profits operate on thin margins. Could some exception be made for non-profits?

Alderman Rainey spoke about a non-profit developer with a rental building. Within nine days there were four police calls. So it did not mean those buildings don't use city services. If it is a building that is inspected regularly, then they have to participate. She had no problem with excluding something like 319 Dempster.

Ms. Carroll asked if an exemption could be made for non-profits. They don't pay property taxes. First Assistant Corporation Counsel Herb Hill stated that the exemption needs to be related to the purpose of the ordinance. He would give a more detailed response Monday. The ordinance licenses units, so ownership is not the classification. Ms. Carroll agreed with Alderman Rainey that if a property pays no property tax and receives city services, they should be required to pay like anyone else.

Community Development Director Jim Wolinski explained the proposal is for licensing of all rental units. The bill would be sent to the owner or manager of the property. Each unit would be licensed. At the present time there are no waivers built in. He did not know that they could give information by Monday night regarding two-unit buildings owned by seniors; thought they would have to go through an application process to obtain a senior exemption. Mr. Wolinski said

there was an alternate proposal presented with gradations. It won't provide the fees needed to make the projection. If they had a \$25 fee per unit, they would put in a \$150 "no show" fee (which takes a lot of staff time) and try to change that behavior. Alderman Hansen recalled they had voted on a licensing fee for rental on February 2. Were they taking another look at it? The license rental fee is in the budget. Ms. Carroll said they were back at a 5.91% tax increase. Alderman Holmes confirmed they were looking at an amendment for the elderly. Alderman Rainey wanted the tax status of the Housing Opportunity Development Corporation. Do rental CHOD's pay property taxes?

Alderman Holmes noted they do not get fees from businesses that are not now licensed and that could be. That is in budget memo #65. The estimate is \$75,000. She learned that other communities charge fees and have certificates. Ms. Carroll said in 30 days they could bring back a proposal to add those to license fees.

Alderman Tisdahl asked on the food and beverage tax, if it is possible to tax differently for parties and events. They are told that Evanston establishments lose business because the taxes are high. Mr. Hill said this is an issue of uniformity of tax. There needs to be a rational basis to create a different classification. The analysis to develop the difference between a catered event in one room and a non-catered public event in another room, makes the classification difficult to withstand the constitutional standard. If they could find information to make it rational, it is the same food, wait staff, but he did not believe they could make that distinction. (At this time Alderman Moran left the meeting.) Alderman Wollin agreed they had voted for the licensing fee. Now they are talking about a graduated fee schedule and a no show charge. Mr. Wolinski said the graduated fee was a response to the P&D Committee.

Ms. Carroll noted a \$156,000 reduction for arts programs was put in that would cut the Ethnic and Lakeshore Arts festivals and Starlight Concerts. Two positions were cut from the Health Department and a management analyst was added. Alderman Tisdahl said the \$156,000 was cut because it was shown as an increase. Alderman Tisdahl wanted the cost of concerts and giving cultural arts grants; would not support cutting festivals. Alderman Wollin asked if this meant they would eliminate festivals or the person hired to find sponsors would raise funds for them. Mr. Gaynor said the person hired was raising funds for Arts Week. The \$163,500 means these three programs would be eliminated. Alderman Rainey suggested the \$120,000 transferred from the Economic Development Fund be used for the festivals and concerts; urged support to eliminate a new economic development director and put money to retain programs that bring people to shop and live here. Alderman Hansen recalled meeting the person hired to obtain sponsors. She noted none of the numbers reflected sponsorship funding. There is no estimate of what could be raised. Mr. Gaynor will provide a memo.

Alderman Holmes did not understand why the Ethnic and Lakeshore Arts festivals don't pay for themselves. Mr. Gaynor explained the revenue and expenses for both. The City is at a maximum for booth costs to artists. Alderman Holmes noticed there used to be a greater variety of foods offered and asked why that changed? Mr. Gaynor said they are limited to ethnic foods and to 20 booths. That was a policy adopted some years ago between the City and lakefront residents; was renegotiated within the last five years. They are limited to 21 days for runs, events and festivals. Alderman Rainey referred the matter of the number of events at the lakefront to the Human Services Committee.

Alderman Wollin noted that expenses for Arts Week are \$5,000. They did not hire a sponsor to raise \$5,000. Mr. Gaynor said the fundraiser is to raise \$75,000-80,000 for Arts Week and new programs. Alderman Rainey said the sponsor was hired because of her vision of Home Depot and PetsMart sponsoring events in James Park. Her understanding was this position was never just for Arts Week and was approved in last year's budget.

Alderman Rainey was disturbed that the City may be in a continuation meeting to get a budget. She suggested a Special City Council Meeting be held on Wednesday February 27 at 7:00 p.m. That was agreed to by aldermen present.

Alderman Wollin announced the Special P&D Committee for 708 Church will start at 6:30 p.m. on Monday, March 17.

Ms. Carroll asked if they plan to discuss the budget on Monday and, if so, the outstanding issues. Licensing, Economic Development Director, Food & Beverage Tax and Arts Council cut.

Mayor Morton asked before a consultant is hired, are the department heads consulted. Ms. Carroll said if the fee is above \$20,000, it comes before the A&PW Committee. If under \$20,000, she approves the contract. Mayor Morton wanted a

report on requests for consultants by department. Memo #24 lists all consultants.

Mayor Morton asked about provisions for the residential parking permits. Public Works Director David Jennings explained that residents pay \$10 annually for a permit and, in some cases, that allows them to park two hours or longer in neighborhood districts limited to residents only. If the new vehicle fee is approved, people can subtract that cost and the parking permit fee would be \$15. It was not meant to be a revenue generator but to offset the cost of the program. Is it legal? Mr. Hill explained even though streets are open to the public, the City can set aside up to 50% for exclusive residential use. The legality of the residential parking permit is not an issue. The only question is the dollar amount for the permit. The cost of a license or permit does not have to correlate with administrative fees. The \$10 fee has been in effect for 10 years. Who is qualified to get a residential only parking permit? The ordinance defines the eligible residents and in almost all cases, they live in a neighborhood district. If parking around the hospital impacts a nearby neighborhood, residents can petition for a residential parking district. There are 25 districts and \$120,000 a year is raised.

Alderman Rainey asked staff to look at the projection for this year for the two natural gas taxes. She was sure there is additional revenue there.

There being no further business to come before the Council, Mayor Morton asked for a motion to adjourn and the Council so moved at 2:22 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.