

ROLL CALL – PRESENT:

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

ABSENT: Alderman Jean-Baptiste

PRESIDING: Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton on Saturday, January 10, 2009, at 9:38 a.m. in the Council Chamber for the purpose of conducting a Budget Workshop on the FY 2009-10 Proposed Budget.

Mayor Morton commented that we probably would not get to a lot of the specifics, but if there are items you would like to consider, the staff would accommodate you, but we may want to take a break before we go into the specifics of the agenda. With that being said the Mayor turned it over to the Interim City Manager Rolanda Russell.

Ms. Russell wished all a happy new year and began to give some highlights of the year's actions. She thanked the supportive and passionate City Council and a hard working team for being able to ride through the incredible waves of 2008, staff began working on this budget in August, we were able to reduce the workforce by 14 fulltime positions, reduced the fleet and operational costs, we are presenting the budget today, we are rolling our sleeves up, we want to present something that the citizens can agree to, the budget does not have any reduction of any of the current services in the quality of life services, with the reorganization we have submitted has allowed us to maintain the quality of services without decrease in staff. She then turned it over to Mr. Lyons who will give a budget PowerPoint presentation.

Mayor Morton asked Mr. Lyons if he wanted to have questions at the end of his presentation because at times we tend to forget.

Mr. Lyons stated that he would like to go through the presentation pretty quickly because he had presented this before. If we go through and people take notes we can go back and revisit, but if there is something pressing, obviously that is up to the Council, but we have at the end summaries and discussion and that's where that will take place. He then thanked everyone for coming out. He stated that the process had been going on for some time. At the Council level, they had been going at it since October and so this is not a final meeting but a meeting to start talking about firmer numbers at the beginning of the year to become a lot more clear as you begin to reduce your estimates. What are our concerns? Well, it is plain and simple, the economy whether it is global, national, state or local it all looks the same. We have issues out there that are not of a short-term nature, and how the state is going to act according to their budget which comes first. The state at one time was considering trimming 8% of the income tax from the City and keeping it at the state level. We receive \$7 million and that is a hefty amount from the state. The Consumer Price Index (CPI) is only at .6%. The unfortunate thing is that the Municipal Cost Index (MCI), which is something that the American City and County tracks, is much higher. The reason for that is that the MCI trails the consumer price index. Two, three and four year contracts and the municipal cost index do not come down as fast. They also won't go back up so quickly if the CPI goes up. We are also concerned about the loss of Federal and State grants due to the overall economy. We hope that our current President will be able to insulate us a little bit from that, there is a kind of projects and we will try to grab as much of that as possible for the projects we can. He said he would not hit all the bullets in the presentations. Our Real Estate Transfer Tax revenue is down \$1.2 million and that's a large amount and

we don't see that coming back again until late 2009 or 2010. The credit markets are impacting a great many things and, not just housing, it's showing up in corporations, cities etc., all being squeezed on where their debt may have been where they have to reduce operations and that results in tightening more on the corporate side which makes it a tight, tight economy. We are trying to be as conservative as possible we always are when it comes to building permits, where we try to establish a baseline and keep in mind big projects that may come in have decreased, sales taxes are predicted to be fairly stable at both local and state sales tax. This year we are coming in above budget for our income tax, but the state has projected it is going down.

Alderman Rainey wanted to be reminded how the state income tax is calculated.

Mr. Lyons continued by saying the state income tax is based on a per capital bases, where you and I pay 3% to the state, it comes back to the City as 75,000 population to times a certain dollar amount and that amount is hovering around \$90 - \$100 right now, so that's how we calculate how much income tax we get 75,000 times \$100 would be \$7.5 million is the income tax we would get. We have a \$91 million budget this year and it was \$94 million last year, this is really a 2.6 % decrease over last year even though a lot of our cost indicators show that we should be going up with the same basket of services. He then went to the slides on the City's revenues but also asked if there were any questions, he would go back to answer them. He stated that the property taxes made up about 18% of the General Funds of the total revenue picture. The City depends greatly on its economically driven revenues so when the economy is struggling, then the City's revenue is also tight. We also have service driven revenues, for example permits that call for inspections we charge for them, park district functions we also charge for them that could go towards a library or park district.

The Mayor acknowledged Alderman Rainey.

Alderman Rainey wanted to know what the other taxes are. Mr. Lyons stated the other taxes are sales taxes, utility and maybe income taxes. Alderman Rainey then asked if we had a chart that breaks this out. Mr. Lyons said no we do not and asked if she wanted to see that. Alderman Rainey said yes let's do that I would like to see that. Mr. Lyons responded he could do that and would have it for her at the next meeting of the Council. It will show a fund surplus of \$23,000 with no proposed increase in meter / parking rates.

Alderman Rainey asked if the reason for fines being down was due to the lack of enforcement, because people are behaving, or are they just not paying. Mr. Lyons stated we have an excess of fines in arrears in the amount of \$1 million and some people are not paying. We have this project now of attempting to reclaim those revenues. Our downtown construction sites result in fewer parking areas, which results in less meters being violated and so less fines.

Ms. Russell stated they could provide a breakdown of all the revenue columns so that you can understand what makes up the percentage number and the total. Alderman Rainey said she would like to see all the totals and asked when was the last time they received the annual report? Mr. Lyons told her it was in the week ago last Friday's packet on November 30, and he would be glad to send it out electronically if she wanted it. Mr. Lyons said one of the biggest problems is the real estate property tax bill. He stated that the City was just under the 20% of the total tax bill that covers City services that include libraries and parks. When we start comparing ourselves he wanted all to realize that we are a full-service community and that some and all services are provided to our Evanston residents and are included in our \$91 million budget. Our overall rate is 6.5 % and that gets us to that 19.7%. The Police Pension, the Fire Pension and debt services, all received a larger portion of proposed property tax increases in the 42% of the General Fund. He is proposing a 5% property tax increase but the increase is approximately under 1% of the taxpayers' increase. He then presented his next set of slides and bar graphs to give everyone a flavor of how revenues have been flat, flat, flat, over the last few years. The only thing that Mr. Lyons stated that was not included in his presentation was the zoning fee increases, but those will be on the Council's agenda for Monday night.

Mayor Morton was inquiring into the status of the state and federal grants, she was sure they had received some public service grants, were they under other grants? Mr. Lyons replied they can be under other grants this is what is provided to the General Fund, for example CDBG is a \$2 million grant

program. This is what we get back from the program for all the inspectors and those who work on the program. Doug Gaynor elaborated by saying most of the other grants we get in Public Works are for capital programs. Mr. Lyons continued by talking about expenditures and that labor costs make up a very large part of the General Fund. When we talk about labor costs we are talking about salaries and benefits so the General Fund has \$56.2 million in payroll costs and that is, full-time, part-time, overtime, comp-time every kind of time adds up to that amount. Many times the thing that sticks out in a budget is overtime and because we have had this year people doing more with less we are seeing a little spike in overtime. The reason you are seeing the spike in overtime is the return request from the departments can we please have back the way we were two years ago, because in last year the budget reconciliation overtime was removed and we are still experiencing high levels of overtime to get to service provision. He pointed out that really only 3% of the increase is in overtime.

Alderman Rainey wondered if Mr. Lyons could zero in for the Council to the departments that make up the 11%, is it the Police, Fire, snow removal. Mr. Lyons stated that Police, Fire and Public Works and Parks/Forestry and the parts that we have that demand those services when they occur we have to go after those things. Alderman Rainey understands unusual situations but she was looking at where are we spending overtime money when we are short employees? Mr. Lyons stated that most of the overtime is not because we are short of people we do have overtime as basic contracts situations.

Alderman Wollin was wondering why the City was responsible for making up the market when it comes up short. Mr. Lyons stated that traditionally in the defined benefit plans the employee portions have changed when there has been a change in benefit. The Police and Fire benefits have gone up in the past five years by a percent or so because of benefit changes, but changes in the market have never been sent back to the employees that has been the employer the rate goes up or down the employer gets the benefit if there's a great market where the returns are coming in at 10% when they were projected at 7% the employer gets that benefit if you will or better the fund, and they should return that to the cities in smaller rates.

Mayor Morton asked Mr. Lyons if he had any information on a reserve fund that the Police/Fire could draw on like the one we have that would not force this increase on our part. Mr. Lyons responded with a yes, their reserve fund the Police is 44% and Fire 42%. This means the percentage of assets that have been set aside already for future liabilities, meaning future pension payments. They have enough money in the bank for the future in the amount of 75%. Mayor Morton replied they are not broke then. Mr. Lyons replied no. Mayor then questioned whether we had to pay into the pension as though they were broke. Mr. Lyons stated by statute they are driven by their own statute as we are ours we have to get up to 100% by 2023 and they don't have the same time line as we do.

Mayor Morton thought when they were discussing the Fire/Police pension fund she was told regardless of what happened those safety people would always receive pensions. Mr. Lyons said in the case of IMRF the state has a responsibility to supply a pension to municipal employees who fall into that category and are IMRF eligible that is their duty, and we have the duty to pay them to manage the fund and the reserve. Mayor Morton said the reason she asked the question is because the residents believe we are raising taxes because of the Fire/Police Pension fund and it is true. Mr. Lyons said the Blue Ribbon Committee suggested to look at all other sources, and the only resources that was stable was the property tax revenue, because Police & Fire are there for the protection of life and property this presents a good fit. So property taxes are used for the assistance to the Police/Fire Pension Fund.

Mayor Morton then asked if the added monies that are being placed by the City is in maintaining this 75% reserve, and she also asked getting what up to 100% in response to Mr. Lyons statement. Mr. Lyons responded by saying the reserves. He also said the budget has a 2.4 million dollar decrease from last year. Health insurance was a 0% increase last year, but this year 11% in health benefits cost. When we do revenue sharing agreements is a change in accounting where we share an amount with a company that amount is netted against our revenues. The Mayor also stated we have no control over the funds entering into the Police/Fire Pension Fund, and Mr. Lyons agreed it was correct.

Alderman Hansen wanted Mr. Lyons to go over revenue sharing agreements. Mr. Lyons in his explanation of revenue sharing, he pointed out the reason was to bring new business in town, keep one in

town or make improvements on an existing one. It is a common tool used by municipalities where you share part of the sales tax in a way to fund their improvements, with the hope of a long-term increase in taxes later.

Alderman Rainey was curious about the accounting method Mr. Lyons mentioned for the sales tax that appears somewhere else and then subtracted it here. Yes, before we had \$9 million in revenue budgeted and no expense, now we will have \$9.4 million in revenue budgeted and \$400,000 in expense. Do not net your revenues to expenses period.

Mr. Lyons only hit the major ones that Alderman Rainey wanted to know which were (1) The Finance, (2) Parks Forestry & Recs. (3) Parks Forestry & Recreation absorbed Facilities Management.

Mayor Morton wanted to know if the switching of Public Works to PF&R was temporary or permanent. Ms. Russell responded it was a permanent switch because it was a good fit when looking at the responsibilities and the loss of personnel, and it would be presented in the new budget. Mayor Morton then asked if it could be placed somewhere else, because it didn't seem to be something that PF&R would be concerned with. Ms. Russell said that when they looked at the reorganization of the department they looked at the strength of the individual in the dept. and fit and Parks & Recreation for this department was the best fit. They had the ability of architects on staff and the ability of the amount of facilities they had under their control, so the staff power and functionality.

Mr. Lyons continued with his presentation in explaining where do we go from here and where do our dollars go to? Police and Fire make up one-third entities without Parks is equated over half.

Mayor Morton explained that when you use benchmarks for comparison with other cities may not be the answer unless the City is just like Evanston. You can not say it's a university town because that university town may not have over 40% of its property off the tax rolls, so we can't compare with those particular cities.

Alderman Moran said that because of the City Manager's opening comments we may have an obligation that exists today and until we adopt our next year's budget perhaps to show some leadership in that regard and we do, and possibly have some impact on the negotiations.

Alderman Tisdahl questioned Chief Berkowsky concerning the Fire false alarm fines \$424,700 in 07-08, and budgeted in 08-09 for \$155,000 why such a difference?

Mr. Lyons offered to answer the question, and told the Council and Alderman Tisdahl that the amount in 07-08 included a receivable, it's an account issue and it need to be removed it should not have been in there and it will be corrected.

Mayor Morton wanted to know how many persons were in each department. Mr. Lyons remarked that they are listed in the Full-Time Equivalent Table. It is listed by business unit then summarized, then by department and summarized by fund.

Ms. Russell said the 2009-10 full-time position detail for all funds, under the City Council there is only one employee and that is the Administrative Secretary because the Administrative Secretary is a full-time City employee, even though we have Aldermen and the Mayor, this is only for City employees.

The Mayor wanted to know where were the nine Aldermen and Mayor listed in the list, aren't we a part of it. Ms. Russell said no, this was only for City employees.

Alderman Rainey commented on the advantage of the City employees in Evanston who have been guaranteed not losing their jobs. Nowhere else in the country has anyone else received that kind of security, she would like to see the unions and the non-profit organizations to step and help the City out of our financial crisis. She would like for the other organizations to come forward with some suggestions on how they can help themselves without Human Resources going out to negotiate.

Mayor Morton commented she felt that the community will come together to help out, and she felt the Council made a wise decision but now we need your help, the taxpayers need your help, the City of Evanston needs your help and it will not be forever just temporary. The Mayor requested that each department should show the total number of employees in each and every department.

Mr. Lyons promised to have the corrections and the employee numbers in each department, the position, name, any change will be made possible for the next Council Meeting.

The Mayor then thanked Mr. Lyons and moved directly into Citizen Comments.

CITIZEN COMMENT:

Michael Vasilko, 2728 Reese Ave., the proposed budget is \$2 million over budget. On a monthly basis the Council approves hundreds of dollars of many non-essential expenses. These non-essentials did not meet the health, safety, and welfare criteria that you as Aldermen swore to provide the citizens of Evanston. It is that simple in my opinion to restrict spending in these financial times to just Health, Safety and Welfare for what is needed and not what is nice to have. We can not afford to have our property taxes raised again as presented in this report, had Council not approved millions of dollars in the past you would not have to report a deficit of \$2 million. The Blue Ribbon Committee recommended that all other avenues to obtain funds should be exhausted before considering tax increases and the Council should follow that recommendation. The City must find ways to collect funds from Northwestern University for current and previous years of free services from the City. He felt it was a crutch for the City Council to say **“it’s out of our control,”** due to mandates from the state and Northwestern claiming it is a tax-free entity. Laws are made by people and can be changed by people. Thank you.

Mayor Morton asked Ms. Russell has the City determined the cost of services to not-for-profit organizations, is it spelled out like trash pickup where the Council could have something to assist in making decisions.

Ms. Russell commented on the subcommittee of Council members who have started working on the **“PILOT” Program** (payment in lieu of taxes), a number of issues have come before them and they plan to meet with tax-exempt organizations to work out solutions of how they can help, whether it’s cash, in-kind, intellectual capital, or taking on projects we already have.

Mayor Morton said if the PILOT Program failed then we would need some other type of initiatives to secure the assistance from our not-for-profit organizations.

Stuart Opdycke, 1327 Hinman Ave., he wanted to question Mr. Lyons about the transfer of funds from the General Fund reserve of \$4.5 million to the Pension Fund, and is it the same each year. He then posed many more questions on the proposed budget. He suggested to whoever was negotiating with the unions to remind them that they need to pick up an oar and assist the City in its dilemma.

Tom Burnham, 2515 Prairie Ave., moved from Connecticut four years ago. He is paying eight times the taxes on his five year old condo, more than he paid on his home in Connecticut. He receives no services and must shovel his alley. He said you can cut easily 20% out of your budget and is willing to sit with anyone to show them how. Why are we keeping more employees and what gives you the right to tell your employees they will keep their jobs. He suggested to go from a fully-insurance plan to a self- insurance plan, you’ll see a savings of 30%. He suggested we all have to make sacrifices.

Mayor Morton said today this Council is not going to pass the ordinance this is just a time to discuss the budget. The Mayor then explained the reason for the promise to the employees was due to the early retirement offer, to assure the remaining employees that they would not lose their job this year.

Human Resources Director Joellen Daley informed Mr. Burnham that 150 employees were eligible to take the offer and 59 of the top employees took the offer and left employment with the City.

Ms. Russell then explained that 90% of the top employees had taken the offer and had drained the City of experience and leadership, and others started to take other positions not knowing if they would have a job or not. So when the letter went out it had a two-fold message, to stop the great exodus and reassure the remaining employees they would not have to worry about losing their jobs during this new budget, so that the service level would continue.

Gerald Gordon, 1228 Lake St., spoke of the front page of the *Highlights* newsletter about a green roof at the Water Department and out at the lakefront. He said that the roof cost about 12 times the amount to replace an ordinary roof. He felt this kind of expense should not be forced on the taxpayers, and if there are any other green roofs to go up please re-evaluate the idea. He also wanted to know if any vacancies in the current budget exist and suggested the City not fill them. The Pension Funds are spelled out explicitly

in the statues that the taxpayers make up the shortcomings and we must come up to 100% by 2023. We must continue to support the pensions.

Alderman Rainey wanted to know if we could get a list of all the jobs we were looking for.

John Zbesko, 1120 Noyes St., spoke on fees and services especially for sports events and if any research has been done on revenues for the departments. The City and residents need to have a range of options and finances for cutting certain things and how much will that affect the actual budget.

Mayor spoke on the responsibility of the City Manager to bring a budget to the Council and it is the Council's responsibility to review it. The Council needs the support of citizens when they make hard decisions and not to be criticized for their decisions.

Alderman Rainey told Mr. Zbesko if we did what he suggested many people would not support it if it doesn't serve the bulk of the citizenry.

Kevin O'Connor, 1227 ½ Isabella St., he is also running for Alderman. He wanted to know how did we get here, and he doesn't want to see his property tax to increase. We all have to sacrifice and during this financial crisis, we need to find ways to cut the budget. Give the people the straight news no matter how bad or good it is.

Mayor Morton said that this Council had no idea this would happen and we tried all we could to defray the possibility of others leaving. This Council needs your support. The problem comes when the community comes out and says no to the decisions the Council makes. We have to provide for our Public Safety, so that the citizens are receiving all they need for their safety.

Marge Anderson, 2647 Broadway Ave., spoke on the medical cost for the employees, and if there are increases and whether or not the employee contributes. She suggested the City make a change to a Health Savings account where the participant is more responsible for their medical costs.

Mark Sloane, 2512 Hartzell St., asked if we are catching up on the \$145,000,000 in the reserves. The answer was no. Are we are using the actuaries, then we are heading in the right direction and should be caught up soon.

Steve Mason, 1121 Oak Ave., just came in from watching the broadcast at home and spoke on the employees that were gone and wanted to know how many were going to be replaced. He just wanted to get clarity from the budget workshop.

Mayor Morton then asked if anyone else had any comments for this meeting. Since no one answered, she asked for a motion to adjourn and it was so moved. She then declared the business had been completed and the meeting was adjourned at 12:45pm.

Respectfully submitted,
Rodney Greene
City Clerk

A record of this budget workshop is on CD in the Clerk's Office, Room 1200 in the Civic Center located at 2100 Ridge Ave.