



**CITY OF EVANSTON, ILLINOIS  
CITY COUNCIL**

Wednesday, February 22, 2006  
7:00 P.M.  
City Council Chambers

**AGENDA**

- 1) Roll Call**
- 2) Budget Discussion**
  - **K-9 Unit Proposal**
  - **Updates from staff on revenues and expenditures**
  - **General Discussion**
- 3) Citizen Comment**
- 4) Executive Session – Collective Bargaining**
- 5) Adjournment**



# City of Evanston™

**To:** Mayor and City Council

**From:** Julia A. Carroll, City Manager

**Date:** February 17, 2006

**Re:** Proposed Changes to the Budget and Tax Levy

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Staff has taken a final look at the city's budgeted expenditures and tax levy in an effort to reduce the overall effect of the proposed tax increase.

The original budget proposed expenditures totaling \$181,711,265. Council directed the addition of \$82,800 to restore the allocation to the Mental Health Board for social service agencies to the prior year level. This was achieved after staff reviewed and increased the estimate of revenue for the personal property replacement tax by \$83,000. Thus far, those are the only changes that have been made to staff's budget proposal.

Also included in the original budget proposal was a tax levy increase of 6.82% across all funds. The majority of the increase is levied for pension and debt service expenditures, with the remaining \$558,000 allocated to the General Fund. This General Fund portion includes Library and Parks/ Recreation services, which are funded by separate tax levies in most other Illinois communities.

**Staff Proposal to Reduce the Property Tax Increase:**

In order to reduce the increase in the property tax levy, staff proposes two additional changes to the budget.

First, due to a change in the accounting requirements and method for termination payouts – known as compensated absences – \$280,000 can be cut from the city's General Fund expenditures. The result is a decrease in the proposed General Fund expenditure, from a 3.85% to 3.61% increase. This keeps the general fund budget increase at only 0.21% above the CPI for 2005. I do not believe further cuts can be made without compromising service levels.

The second recommendation is to lower the property tax levy for Debt Service by \$337,000. After reviewing the audited fund balances and conferring with our financial consultant, we feel this balance can be safely drawn down over the next three levy years to adjust for the one time reduction in the debt service property tax levy, while still providing the necessary cash flow to fund new debt service.

These two changes will reduce the total property tax levy increase from 6.82% to 4.94%, constituting a \$616,000 reduction from the original property tax revenue request. Given that the pension contributions are mandated increases, and salary and benefits comprise over 80% of our expenditures, I believe that 4.94% is a reasonable levy increase. While it is not desirable to increase property taxes at all, we do have to fund our operations.

Approval of these two changes will impact a property tax bill as follows:

<u><b>Total Tax Bill Increase</b></u>				
<u><b>\$8,000 Tax Bill</b></u>			<u><b>\$10,000 Tax Bill</b></u>	
	<b>4.94%</b>	<b>% of City Tax Increase</b>		<b>4.94%</b>
	<b>0.97%</b>	<b>% Tax Bill Increase</b>		<b>0.97%</b>
<b>\$</b>	<b>77.27</b>	<b>\$ Increase on tax bill</b>	<b>\$</b>	<b>96.59</b>
<b>\$</b>	<b>6.44</b>	<b>Per Month Cost</b>	<b>\$</b>	<b>8.05</b>
<b>\$</b>	<b>0.21</b>	<b>Per Day Cost</b>	<b>\$</b>	<b>0.26</b>

To put this increase in context, the 4.94% increase is equal to buying one large pizza for a family every three months.

**Alternative Proposals:**

It has been proposed that revenue generated by a new Food and Beverage Tax could be used to reduce the increase in property taxes. I do not believe it to be in the best interest of the city to pass this tax at this time for reasons I have previously explained, including the property taxes restaurants pay are twice the rate of residential, and the revenue from a food and beverage tax is very sensitive to the economic ups and downs, so is not as stable as property tax. Further, we would be the highest tax in the area for this sector, and I believe this tax is targeting a single sector versus spreading the burden over the larger community.

Another proposal is an increase to the building permit fees. I do not recommend any increase to this fee at this time. Evanston raised building permit fees in 2002 and is already on the higher end of fees charged in this area. Any change to the building permit fee structure should be reviewed in context with our ongoing analysis of impact fees.

**Summary**

Staff looks forward to review of the attached materials and final direction from the City Council on the budget at the upcoming meeting on February 22, 2006.