

ROLL CALL – PRESENT: Alderman Newman Alderman Kent
Alderman Drummer Alderman Moran
Alderman Wynne Alderman Rainey
Alderman Bernstein

A Quorum was present.

ABSENT: Aldermen Engelman and Feldman

PRESIDING: Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton at 9:24 a.m. Saturday, January 6, 2001 in the Council Chamber for the purpose of conducting a review of the 2001-02 proposed City of Evanston Budget.

City Manager Crum announced this workshop would be an overview of the entire budget. He announced the rollout of the City's web site that week. Mr. Crum introduced Donna Stuckert, new community information coordinator for the City. Management & Budget Director Pat Casey introduced Alex Granchalek, budget analyst and Ann McCarthy, the City's webdeveloper, who created the website. Ms. McCarthy presented the City's website: www.cityofevanston.org, which went on the Internet January 3, 2001. She went through some of the pages explaining the kinds of information available. She noted Evanston has the first on-line form for contesting a parking citation; asked anyone who has suggestions for the website to e-mail them to her. She showed the annual meetings' calendar, which was prepared and will be maintained by the City Clerk's office.

Mayor Morton asked for a section on openings on boards, committees and commissions and precincts. This information will be added.

Mr. Crum presented the proposed schedule for budget meetings. He outlined the budget preparation policy: continued austerity in spending; service charges where appropriate (no new charges are anticipated); "truth in budgeting"; minimize debt (City's debt is high) and keep property taxes as low as possible.

Highlights of budget: the General Fund is balanced through a proposed 9.36% property tax increase (City portion of property tax) of which 12.46%, will go to the General Fund; 4.08%, Fire Pension; 9.42%, Police Pension and 5%, debt service. \$160,000 was added to tree trimming. There is an increase of \$373,600 in health insurance (not final numbers) and \$4 million in Capital Improvement Program debt. The Water Fund is balanced with no rate increase recommended. The Sewer Fund is balanced and does not require Council action due to the four-year rate plan adopted by Ordinance 12-O-00. A 10% rate increase is scheduled for 2001-02. After this year there will be two more years of rate increases.

The Insurance Fund is a problem fund and staff is searching for ways to balance it.

A highlight was the formation of a Budget Policy Committee by City Council and a budget policy adopted by the Council for the first time in some years.

Areas of concern: winter snow costs, which have used up the entire budget with two more months to go. Staff will pin down costs to tag into anything Cook County does to get emergency funds for the City. The Sheriff has asked for additional funding requests out of FEMA and that will be done. Full estimates are not known but snow removal costs are expected to be hundreds of thousands of dollars. Mr. Crum noted that capital needs are not adequately funded; spoke of the poor condition of the streets and how a lot of money is needed in the parks system and for building replacement. Capital needs are known, but the problem is raising the money to do it. The insurance fund has no ongoing funding. The labor contract for firefighters is open and may not be settled for some time. Budget reserves have allowed for a nominal amount for that contract and other employee wage settlements. The last area of concern is that revenue trends do not keep up with inflation. The City has too many flat revenues.

Mr. Casey went through the property tax levy. He translated that into how a residential property with a market value of \$300,000, an assessed value of \$215,000 and an equalized assessed valuation (EAV) of \$75,000, with the current tax rate of \$10.532 per \$100 EAV, would pay about \$8,000 in real estate tax currently. If the budget is passed as presented it would mean an increase of \$136 annually or a 1.7% increase in the overall tax bill. Mr. Casey noted the City's portion of the real estate tax bill is 18.36%. School districts are in the 60% range. A ten-year history shows the City has consistently reduced its share of the tax bill until last year. In 1983, the City's portion was 28% of the tax bill.

The General Fund represents 51% of expenditures in the budget with sewer expenditures 10.56% and water 10.05%.

The Parking Fund has revenues of \$3.4 million and expenditures of \$4.2 million. With the opening of the new Maple Avenue garage, staff anticipates a \$750,000 expenditure increase and a \$670,000 revenue increase. Staff anticipates closing the Sherman Avenue garage this year. The operating deficit for fiscal 2002 is expected to be near \$800,000 with adequate reserves to cover the deficit.

The Water Fund has revenues of \$13 million and expenditures of \$13.7 million. No increase is planned in water rates and this is a continuation budget. There are reserves to cover the deficit. The return on investment to the General Fund will be the same as last year and staff will review that in the future to see if it needs to be adjusted. Rate increases of 2% are scheduled this year for the Northwest Water Commission and the Village of Skokie. The amount of water sold was down by 4.84% due to a mild, wet summer. They need to continue needed capital improvements. Mayor Morton asked if projected revenues for the Water Fund were met this year? Mr. Stafford said revenues were overprojected several years ago but, despite a drop in usage, were within range.

Police and Fire Pensions. Fire pensions cost \$4.2 million and Police pensions \$5.8 million. The new Fire Pension law caused a 6.9% increase in the property tax levy for this year's levy. The proposed Police Pension law passed in the fall veto session will result in a 9.4% levy increase. Both are unfunded state mandates. The City will continue funding pension funds at required actuarial levels, which will be fully funded by 2030.

The General Fund subsidizes the Insurance Fund currently. Cash is needed for this fund. Annual expenditures are \$900,000. Insurance liabilities booked in the fiscal audit for 2000 are \$1.9 million. Staff recommends purchase of umbrella coverage and has a Request for Proposal out to review liability and Worker's Compensation coverage and claim handling.

The Fleet Service Fund has revenues of \$4.7 million and expenditures of \$4.6 million. The operating deficit in fiscal 2000 was \$233,000. This fund is slowly becoming self-sufficient with continuation of limited purchase of equipment for the next several years until bonds are paid off. They must limit new purchases to less than \$1.2 million in fiscal 2002.

The Sewer Fund has revenues of \$14.5 million and expenditures of \$14.5 with \$31 million in outstanding General Obligation bond debt and \$72 million in outstanding Illinois EPA loans. There is \$47 million of project remaining. Cash position is low. The four-year rate plan adopted by Ordinance 12-O-00 provides for a 10% rate increase in fiscal 2001-02, which translates into a 6.7% total water/sewer bill increase in fiscal 2002. Staff calculated that the average total bimonthly water/sewer bill for 2,000 cubic feet is \$92.03. The 10% sewer rate increase will raise that

bill to \$98.23. The 6.7% increase on the total water/sewer bill will mean an additional \$37.20 per year. Mayor Morton asked if the average citizen uses 2,000 cubic feet of water? Mr. Casey said the average citizen uses about 2,000 cubic feet of water.

General Fund expenditures. This year's budget is \$66.5 million and 2001-02 is projected to be \$70 million, an increase of \$3.4 million or 5.23%. Factors that create General Fund increases are: general wage increases \$1.5 million; health insurance increase of 8% (\$338,200); Fleet Service chargeback of \$161,200; tree trimming \$160,000 (two additional people plus increase of \$75,000 in contractual work that was reduced last year); Information Systems equipment replacement program \$200,000; the addition of three civilian positions in Police Department \$135,000 (this will put three civilians at desk positions and free up three officers to be on the street); \$150,000 for umbrella insurance coverage and RFP; \$112,300 for increased costs of gas, electric and telephone. The largest portion of General Fund expenditures is for the Police Department at \$14.86 million, followed by Parks/Forestry & Recreation at \$10.11 million. 72.5% of General Fund costs are for personal services (salaries, benefits, social security, Medicare, IMRF).

General Fund revenues. Finance Director Bill Stafford commented if the proposed real estate tax increase was eliminated and, one looked at all other taxes and revenues, there would be a 2.67% increase in revenues. The problem is the 2.67% revenue growth against 5.23% growth in expenditures. The revenue base does not keep up with expenditure growth and inflation. He explained the sales tax per capita is not as strong here as in many other area municipalities; noted Skokie gets twice as much sales tax per capita as Evanston. He pointed out the effect of the U.S. Census; thought even with increased numbers, the state would not grow by 8-9%. In terms of revenues such as income tax, use tax, photo-processing tax, motor fuel tax are all triggered on population formulas which will not help Evanston. He explained the property tax produces 15.42% of this revenue with sales tax at \$12.1 million. He explained the sales tax the state collects – the general sales tax of 1% projects a 2.9% increase over the prior year estimated at \$8.1 million to the General Fund. They have to factor in sales tax sharing agreements with Home Depot, the Dominick's at Dodge/Dempster and retailers in the Chandler's building. The home rule sales tax is .75% projected at \$4.2 million about 2.5% over the prior year estimate. Less than the general tax, it has a slightly different base (not on cars). The 5% utility tax is a major category on electric, natural gas and telephone utilities. \$7.1 million is projected, a 10.9% increase from the prior year estimate. A lot of the increase is from gas and electricity. He recalled the City got close to \$1 million in tax revenue in 1998 on gas, then it went down to a low of \$760,000 in 1999 then back up to \$800,000. Staff believes it will go to \$900,000. It is a volatile market with deregulation nationwide. There is strong growth in the telecommunication tax due to cell phones. The state income tax is allocated by the state based on population, so Evanston does not get its fair share because it is 25-30% above the average income in the state. All state income tax is pooled and 1/10th of the amount collected is allocated to local government. It is projected at \$5.5 million, a 1.8% increase from the prior year's estimate. Evanston subsidizes the rest of the state. The real estate tax is .5% of sales value paid by the seller. Staff projects this at \$2.5 million, a 4.3% increase over the prior year's estimate. Assumptions are higher prices for homes and less volume. This tax is subject to market fluctuations and consumer confidence. The five-year projection on the General Fund shows a basic structural deficit. The trend is 2.5% revenue increases versus 5% expenditure increases. Given the direction and policy of the Budget Committee, they will try to address those issues.

Policy Options. Mr. Crum noted the Head Tax is an employer tax the Budget Committee suggested based upon a certain amount of money for each employee to be paid by employers of 1,000 or more. That would affect three employers in Evanston currently. Because of uncertainty and how it would be used, it was not included in this budget as a revenue source. If it were passed and achieved revenue in the million dollar range, staff recommended it be allocated for capital purposes, specifically for improving the streets. Comings and goings of employees creates the greatest impact on streets. The committee recommended forwarding the Head Tax to Council for discussion. The basic question is how to maintain services with minimal property tax increase? Staff is willing to consider other revenue enhancements. Significant cuts would require service reductions. Staff recommends future Saturday workshops be used primarily for Council discussion rather than staff presentations.

Alderman Drummer noted Cook County has found over \$20 million and to keep an eye on it to see how much Evanston could get. He asked how many people are employed by the two school districts and how many people total are employed in Evanston. Mr. Crum stated the schools would be exempt as they are government agencies. Alderman Drummer confirmed \$2 million was generated in building permits this year and asked how much over the projection were they? Community Development Director James Wolinski stated the base building permit fees were

projected at \$1.7 million and are now slightly over \$2 million with two months to go. Mr. Wolinski reported that Northwestern University had met their projection for a one billion endowment, so plans are moving along for a new life/sciences building projected to cost \$25 million and will generate \$400-5,000 in permit fees. Drummer recalled last year's projection was increased through budget deliberations noting the City is way over initial projections. He noted interest rates have come down. Mr. Wolinski agreed that permit revenues are estimated conservatively; stated they are based on construction that they know will happen. There were a number of "iffy" projects that came through which were not included in permit projections. He noted the nano-fabrication building at Northwestern came in with a \$400,000 permit fee, actually generated more auxiliary fees due to the nature of the building (laboratories); \$200,000 was generated in addition to the base permit fee.

Alderman Newman asked for a list of projects that generated \$2 million in permit fees this year.

Alderman Drummer asked Mr. Stafford when would the Fleet Service Fund flatten out? Mr. Stafford stated that the Evanston fleet is worth \$17-18 million with a 7-year depreciation cycle, so they need to spend \$2 million a year. The City can spend \$1.2 million annually on the fleet and is paying \$1.2 million in interest. That debt service will fall off in 2005 to about \$900,000 and in 2006 to zero. If the City restrains spending to \$1.2 million for the next few years, the fund will be fine.

Alderman Drummer noted on page 7, the General Fund maintains a minimum of 8.3% in reserve. Then it states any monies over 10% would be reallocated to other areas. He asked what happens to the 1.7% in between? Mr. Stafford stated the goal is to have a minimum of 8.3% which represents one month of expenses. The maximum would be 10%. Alderman Drummer suggested keeping 10% in reserves. Mr. Stafford was agreeable.

Alderman Drummer asked to breakout operating costs to service Skokie and the Northwest Water Commission. He wants to see revenue projections and how much will be spent; thought all operating expenses should be in enterprise funds and wanted to see each entity pay for itself. He feels the same about the parking system but it does not generate enough income for the amount of money the City puts into it.

Alderman Rainey asked for a list of average water users who spend \$90 for the water/sewer bills to find out their secret. She has asked for year-to-date actual revenues/expenditures repeatedly and has not seen it for this year. She found it impossible to do a good job on the budget when aldermen have no idea what actual revenues and expenditures have been through the third quarter.

Alderman Rainey commented that building permits generate enormous numbers and expenditures. She wanted to see a correlation of revenue generated by building permits and the cost to administer them. She wondered how close the City was cutting it in terms of labor required to administer them and revenue generated. She asked for the number of newly constructed units of housing. She thought when the budget was put together, staff did not know about the Federal Reserve Board's lowering of the interest rate by a half percent. She suggested looking at the transfer tax revenue projected and thought that would make a big difference.

Alderman Rainey recalled discussion about the liquor tax in the Budget Committee. One discussion was about regulations the City has imposed on those selling liquor here and how archaic some of those restrictions are. There was discussion of imposing additional tax and relieving some vendors of some of those regulations. She thought it might be a good tradeoff and revenue generator. She pointed out at the new Dominick's, the liquor department is off to the side. One would not know it is there. They are not allowed to have any kind of display indicating a big sale. She thought that some of the regulations, such as having to order a full meal to have a glass of wine, might not make sense. She referred the issue of liquor regulations to the A&PW Committee and requested a budget memo on same.

Mayor Morton asked that current revenue/expenditures reports be a regular part of information given to Council. Mr. Crum stated revenues are fairly easy to compile because they are reported on a monthly basis. Expenditures tend to lag in the database, but staff would try to do that on a more regularly. New budget software will provide expenditure information on a monthly basis.

Mayor Morton noted last year there was \$250,000 in unanticipated monies to be rebated to the City; asked if any unanticipated funds had been received by the City so that Council could decide what to do with them.

Mayor Morton noted in General Fund expenditures, that the greatest amount is spent on police. As a policy issue, she asked whether Evanston wants to place Parks/Forestry & Recreation as the second highest expenditure area above Streets & Sanitation, roads, alleys, fire and other essential services for quality of life.

Alderman Drummer referred to an agreement with the school districts to share TIF revenues if they are there and asked for a report. Mr. Stafford stated there is a three-year agreement with the school districts to split \$400,000 between the two districts. They received \$400,000 last year. The payment is on the bills list for this year and the districts will receive a payment next year. He will share the update with Alderman Drummer. Alderman Drummer asked for a summary of all fund balances, contingencies and excess.

Alderman Rainey was interested in receiving year-to-date figures to know areas where the City is not collecting what was projected.

Alderman Newman responded to Mayor Morton's comment about Parks/Forestry & Recreation, which he said told only part of the story. He said in examining the \$10.11 million expended by Parks/Forestry & Recreation, that the Robert Crown Center generates \$1 million a year, whereas police and sanitation do not generate revenues. Beaches generate \$400,000 revenue and Chandler-Newberger Center generates \$300-400,000 in fees. He argued, as policy, that \$1 million come into Robert Crown, but was not aware that any of that is put back into the center to repair the facility. He noted non-residents who pay \$6 daily to use the beaches do not have decent washrooms. He said the Parks/Forestry & Recreation Department is a major fund-raiser and the real problem is that revenues are not being put back into capital improvements.

Alderman Drummer said Council needs to know what it costs to provide recreation and the revenue that was taken in. He did not think there was enough revenue taken in to offset recreation; it is being subsidized and the question is how much is recreation being subsidized.

Alderman Kent said what recreation does socially for the community should be examined as far as keeping loitering down. He asked for information on implementation of a head tax in other communities. On page 9, vehicle license revenues are projected to drop by \$10,000 and he wanted information on whether the City is collecting its fair share. He thought there are people who are not complying.

Alderman Rainey asked what the amusement tax was on and why it was down \$75,000? Mr. Stafford explained that the entertainment tax is 4% on movie tickets and instituted last year. When it was brought in, estimates were on income from the Central Street theaters. The numbers were below what they thought. Those are revised numbers for those theaters and any other productions in town. The revenues from the new Century Theatres are not in this fund because they are in the TIF fund. This is a re-evaluation based upon one year's experience. Alderman Rainey confirmed that \$36,037 was collected in 1999-2000; and \$100,000 was projected for this year. She asked for the year-to-date number. Mr. Stafford stated about \$25,000 has been collected this year and the City will end up with about the same number as last year; did not think the City would get what they got last year, because those theaters will generate less due to the opening of Century Theatres.

Alderman Drummer thought they were too optimistic about two small local theaters and should remember that the instituting of the amusement tax had to do with paying off the TIF.

Alderman Bernstein recalled a discussion of pooling insurance with other groups last year to get a better rate and was that included in the RFP? Mr. Stafford reported the pooling deal with other communities fell through. Human Resources Director Judith Witt explained that health insurance is not included in the Insurance Fund. She reported the City discussed combining with the school districts and found no savings. Alderman Bernstein recalled asking last year for a list of overtime expenditures and had not received it. He wanted to know whether overtime was spent this last year and for what. He asked whether it was possible to pull out what the City did not spend funds on. Mr. Crum explained staff could pick a certain date in time and give an estimate. The best staff can do will be provided.

No objections were raised to discussing the proposed Head Tax at the January 20 budget meeting. Mr. Crum clarified that public testimony would be taken at that meeting.

Alderman Rainey made a reference to the A&PW Committee to have an ordinance on the proposed head tax to that committee for the January 22 meeting.

Alderman Rainey recalled institution of a fee on real estate transfers that are not subject to the tax. She asked for an analysis of exempt transactions and who regulates which cases are exempt. Does the City have any authority in those situations?

Mayor Morton asked Mr. Stafford if there was any comparison in the way the state made requirements for the actuarial assessment for police/fire pensions to be fully funded by 2030? She explained that the teachers' retirement system has extended theirs to 2045 and at that time it would be 90% funded. Was there any way to work with the legislature to extend the date police/fire pensions must be fully funded to give relief on the budget?

Alderman Drummer moved that the City Council convene into an emergency Executive Session to discuss litigation pursuant to 5 ILCS 120/2 (c) (11):

All meetings of public bodies shall be public meetings except for the following:

(11) Litigation, when an action against, affecting or on behalf of the particular public body has been filed and is pending before a court or administrative tribunal, or when the public body finds that an action is probable or imminent, in which case the basis for the finding shall be recorded and entered into the minutes of the closed meeting.

Seconded by Alderman Wynne. Roll call. Voting aye – Newman, Drummer, Wynne, Bernstein, Kent, Moran, Rainey. Voting nay – none. Motion carried. (7-0).

The City Council convened in the Aldermanic Library for the Executive Session at 11:00 a.m. The Mayor adjourned the Executive Session at 11:42 a.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.