

ROLL CALL – PRESENT: Alderman Rainey Alderman Wynne
Alderman Feldman Alderman Kent
Alderman Newman
Alderman Drummer

A Quorum was present.

NOT PRESENT AT ROLL CALL: Alderman Engelman

ABSENT: Alderman Bernstein

PRESIDING: Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton at 7:18 p.m. Monday, February 19, 2001 in the Council Chamber for the purpose of conducting a workshop on the proposed 2001-02 City of Evanston budget.

CITIZEN COMMENT:

Mimi Peterson, 1008 Ashland Ave., asked that Council reconsider the \$200,000 study of Robert Crown Center and why a new study was needed? At a January meeting of Crown Park Neighbors, she said that most people could not understand why this building needed to be replaced, why it has not been maintained and why its overall appearance is so shabby. She asked if the study was being used to justify a new building instead of repairing the facility? Why was a prior structural engineering report that recommended repair of the east wall not good enough? She thought there would not have been such a crisis approach to the building if that study had been properly used; suggested it was used to alarm Recreation Board members and taxpayers that this building was about to fall down. The structural report did not tell them that, instead it recommended repairs on a portion of the building. She asked why the taxpayers need to spend money on another study and what is being studied and included? With fiscal conditions as bad as they are, she asked for more fiscal responsibility and suggested the \$200,000 be used for more critical needs.

Richard Stillerman, 2330 Park Pl., spoke about the impact of budget decisions. He noted constant increases in property taxes affect all residents, both those who own and those who rent. Those on fixed incomes have no choice but to move from Evanston when increased taxes impacts their ability to afford their homes or pay increased rent. Increased taxes impact businesses, which are considering Evanston as a place to do business or are already here. All know there is a perception and a reality to the perception that Evanston is a high tax town. He said it was incumbent upon staff and Council to keep these tax increases to a minimum. He stressed that Council consider expenditure reductions. He found Alderman Bernstein's suggestion of cutting \$250,000 in expenditures reasonable and achievable; that the City Manager is in the best position to know where economies can be found that do not impair basic services. He suggested some of the 50 staff positions added in the past five years could be eliminated; the hiring of replacement personnel in less sensitive positions could be delayed; consolidation of positions or minor reorganization and limits placed on the number of overtime hours that don't affect public safety. He calculated \$832,000 is budgeted for overtime, excluding another \$270,000 overtime for fire/police. More than \$1 million is budgeted for overtime. He suggested some money could be saved in the line item for contingencies. He suggested

when they negotiate contracts that they could eliminate the right of employees to accumulate vacation/sick pay for an unlimited number of years. He pointed out the Police Department had allocated \$200,000 for severance pay, which he assumed was due to accumulated vacation/sick pay. He suggested there may be savings in negotiations with health care providers for employees. He suggested the City Manager might have other ideas for economizing based on his experience, suggestions that laymen cannot realize. He suggested \$250,000 should be a minimum cut. He opposes the ¼% increase in the Home Rule Sales Tax, which he thought would put Evanston at a competitive disadvantage with Skokie and Wilmette. Since the Home Rule Sales Tax excludes automobiles, food, drugs and medicine, the increase would affect both large and small retail merchants as well as restaurants where the profit margin is already slim. Stores that sell clothing, hardware, furniture, stationery, toys and other items would be subject to the increase. He said these businesses are scratching to make it now. Merchants will face rent increases due to increased property taxes and an increase in the sewer charge. Landlords routinely pass on such increases through higher rents. This means it will be tougher to do business here. He asked what about businesses that are thinking of coming to Evanston? What about Sears, which has not signed to come here? They could have second thoughts knowing their merchandise will be taxed at a higher rate than merchandise sold in other area department stores. He said that it does not make sense to have the highest sales tax in the area. He noted the sales tax is a regressive tax that affects lower income residents more than those with higher incomes. He thought what looks good in the short term may be a long-term disaster. If businesses leave Evanston, there will be a glut of vacant storefronts that will produce lower real estate taxes and sales tax revenues. Regarding Alderman Rainey's suggestion of an increase in building permit fees, he did not think that would deter institutions and developers from proceeding with their building plans. He pointed out building permit fees have never been a deciding factor in whether a development will proceed. He suggested the fee be a fixed percentage across the board. Thus if the fee is based on so many thousand dollars of construction cost, the fee would increase 5-10% above the current permit fee. That seemed the most equitable way he thought. He also suggested looking at building permit fees in surrounding communities. He recommended that Council examine all programs for the future so in the next budget they will know the priorities and where they can cut expenditures. He stated Council cannot continue on the path of spiraling taxes and fees without a taxpayer backlash and business exodus. He appreciated the hours spent on the budget by Council and staff and recognized the difficulty of the task.

Alderman Engelman came into the meeting at this time.

City Manager Roger Crum asked Council for direction on recommendations for the following Monday when the budget would be voted on.

Alderman Drummer moved to eliminate the \$175,000 -- the 2% liquor tax; increase the liquor license fees by \$15,000; put on an increase of ¼% in the Home Rule Sales tax for \$900,000; eliminate the building permit fee increase and make reductions to the General Fund of \$188,000. Seconded by Alderman Moran.

Alderman Drummer, in reference to the excess gas tax, acknowledged that Alderman Wynne was correct on not using one-time revenues to balance the General Fund, but noted they were so close to balancing that he left it in. He saw this as citizens' money and he favored giving it back to them to reduce the property tax increase and eliminate the need for a tax increase for the General Fund. There would still be a 2.57% increase for debt service and police/fire pension funds, which is an increase of \$7.10 on a \$10,000 tax bill. He agreed that Council must get a handle on debt and cut spending.

Mayor Morton reviewed the 1996 budget for job listings, found 28 job openings, and recognized that there were a large number of new staff positions so the 1997 Council faced an upsurge in staff. She went through the budget and found a number of increases that were not in the budget. The budget staff indicated the number the budget stipulated and the actual number. She also examined the number of new positions proposed for last year and this year and suggested that Council learn the amount of money expended for new positions and institute a moratorium on new positions. She suggested they consider whether to increase the size of staff and that it is a serious matter to increase staff before tax monies come in from new developments.

Mr. Crum stated a report on new positions for the next year would be prepared.

Alderman Feldman asked Mr. Crum to comment on the Mayor's findings on increasing staff since 1996. Mr. Crum said staff can report on every position hired in the past five years. He said the only unusual ones were part-time or

temporary positions, which were consolidated into full-time positions. He noted the City has added police officers, tree trimmers, Administrative Adjudication and probably the largest area of increased personnel was for Information Systems. Alderman Feldman noted Council had asked that staff positions and programs be added. He wanted to know that any increase was not frivolous or due to a response to Council. Mayor Morton believed that each job would enhance the City. She said if they have to cut expenditures, they need to look at hiring. Positions that are needed should be hired but those that can be put off should be. She reported that in 1999 Evanston had 40 foreclosures, followed by 17 foreclosures in Skokie and Northbrook was third highest with 7. Mayor Morton believed that overtime could be cut by a large amount and suggested some creative thinking in this area.

Alderman Feldman appreciated the information on foreclosures and wondered whether the property taxes are a reason for foreclosures. He suggested that people lose their homes for a variety of reasons, mostly because they are unemployed or underemployed. He thought taxes could have something to do with it. But to assume that those foreclosures are the result of City or school board taxing policies was a statistic he had not found proven. He would want documentation that foreclosures are the result of increased taxes and, if so, he would find it regretful and that Council should address that issue.

Alderman Newman operated under the assumption that the City Manager keeps overtime to a minimum and would not want to tie his hands when there is a heavy snow, for police protection (\$723,000 in overtime last year), or fire protection. If the manager can reduce overtime in those areas that would be good, but to impose a cut and perhaps tie his hands without the facts and anticipating needs (no one anticipated the amount of snow that fell in December) was not his choice. He hoped the manager would look at overtime costs in general; assumed the cost to operate the City is kept to a minimum. Mayor Morton agreed about fire/police overtime and would leave it to the manager, but was positive some reductions could be made.

Alderman Drummer noted the \$188,000 cut was due to elimination of salaries, vacant positions and overtime. He asked if the vacancies were in anticipation of jobs being filled in the future? Mr. Casey explained that all cuts are due to current vacancies that are in the hiring process. Staff went through the budget, anticipated when these positions would be hired and reflected those savings. He said each year every position is in the budget. In the back of the budget there is a five-year history of personnel showing exactly where positions were decreased/increased and transferred. Alderman Drummer suggested there was merit to considering a moratorium on hiring which has been done before.

Alderman Newman noted that all reductions in the \$188,000 list were reductions in salaries due to vacancies and that it was like using one-time revenues. Essentially staff is saying for each position there will be a recurring expenditure. The vacancy means the position is not filled now but will be later in the year. Mr. Casey explained that for any vacancy, the City will recruit and hire somebody, so next year they would budget that person's salary for a full year so the amount cut this year will return next year. Mayor Morton thought that the budget was for a certain number of employees, but that more had been hired. Mayor Morton, Mr. Casey and Mr. Stafford discussed the employee count, various positions and performance measures. Mr. Stafford reiterated that in the back of the budget, all positions are listed. The City auditors look at how many budgeted positions the City has and makes sure it does not hire more people than are budgeted for. In response to Mayor Morton, Human Resources Director Judith Witt, explained a number of positions hired were replacements. Mayor Morton suggested Council needed to look at new positions and find ways to cut.

Alderman Rainey hears from people who want to cut expenditures but not services. She pointed out that if services are cut, they must cut personnel. In reference to Alderman Newman, she thought they were talking about not billing taxpayers for expenditures the City is not making. It is a reduction in expenditure that is eventually required. She did not see it as a one-time action. Her heart breaks for people who face foreclosure. She would estimate 20 of those foreclosures were on some of the worst/best known slum landlords here. One alone has 10-12 foreclosures. That happens because of the greed and disrespect of those who provide one of the most important necessities to people. She noted a great increase in inspections since 1996 and when she came onto Council in 1997, there were some buildings in terrible condition in the 8th Ward. The increase in inspectors has made a difference. She noted the City has tried to drag itself into the end of the 20th Century in terms of Information Systems. She said the fact that aldermen cannot email every staff member in February of 2001 is deplorable. She found it shameful that there is not more interactive activity on the City's web site. She thought the increases for Information Systems would pay off in the long run. Administrative Adjudication processes 65,000 traffic ticket cases. The last time she was in Housing

Court, 11 paid City staff were there. That will diminish and those people can do something else. She described some of this as “smart” hiring. Mayor Morton asked when additional staff would be needed for Administrative Adjudication? Mr. Casey explained compliance tickets are written in the Police Department and in late March housing violations will be added. They will see if the division can handle it with four staff people and the contract hearing officers. They don’t know how many people they will need. The next few months will be a test for Administrative Adjudication.

Alderman Feldman recalled a time when the only cry they heard was “reduce property taxes.” He recalled the Chamber of Commerce recommendation that the City go on a diet. They hired a new City Manager who made a covenant with the Council indicating he would reduce expenditures. Council said that was okay if staff was reorganized but they did not want any services reduced. The logic of that was reorganization of staff, which is an administrative function, while reduction in services is political. The Council was on a diet for some six years and taxes were not raised. At that time the City reorganized staff, consolidated departments, eliminated personnel and, eventually, Council found they did not have enough people to maintain garbage trucks or do snow plowing. Parks showed signs of decay, buildings looked shabby and the police force was low. People who work for the City provide services so if somebody is let go, that means that part of the service ends. He recalled when the City had two assistant city managers, the kind of information given to Council was significantly greater than is now provided. The kind of information they have is related to the quality of decisions they make. So when they cut personnel they do so at their peril. He noted it is easy to say “cut.” How do they find revenues for ever spiraling expenditures? He thought they had done that in various ways. The economic development they see throughout Evanston is a response to that. Even with more development, costs exceed revenues. He did not think Evanston was a “Cadillac” operation and said to ask any citizen if they are over-served? He gets calls about what is wrong. He wants those who want a decrease in taxes to agree to cut services. Each time Council has tried to reduce taxes they have had constituency groups that say “no” and when they try to raise taxes groups say “no.” They cannot have it both ways. A legitimate appraisal of the efficiency has to be part of their daily work. He wanted to know how the City could be operated with significantly lower expenditures. He stated there are consequences to every action and they must understand what those consequences are. If they cut somebody, they must understand what that means. The person charged with that task is the City Manager.

Alderman Newman said if they were to have a moratorium, it would include four persons in Public Works when the City’s streets are in a shambles and what would that do to basic sanitation services? They would reduce the amount of police on the street and turn Administrative Adjudication into a second-rate service. That was not the way to move ahead. He agreed with Aldermen Rainey and Feldman that the City wants to deliver first-rate service to citizens here. Alderman Newman knows a man who lives on Davis Street who walks home in the middle of the street at night because the lights are not bright enough and trees haven’t been trimmed and also has seen elderly people who have to walk on the street. Quality of City services affects residents.

Mayor Morton said no one has proposed not hiring replacement personnel. The proposal she talked about concerned hiring for new positions. Alderman Newman stated if one wants to make reductions, they have to aim at specific services and not tell the City Manager not to hire across the board.

Alderman Newman moved to remove the \$15,000 on liquor license fee increase. Seconded by Alderman Feldman. Alderman Newman said information received from the Chamber of Commerce stated Evanston charges \$4,300 for a license in the core area while Chicago charges \$2,000. It indicated to him the City’s liquor license fees are at or above the marketplace.

Alderman Wynne reminded them that Administrative Adjudication is a significant revenue producer. Additional employees are critical to a revenue generator and an increase in staff efficiency. A hiring freeze or moratorium has some unintended consequences in such programs. The Mayor agreed.

Alderman Rainey stated when they revert to previous license fees, they lose her on the issue of liberalizing liquor regulations. As liquor regulations are liberalized, while she has confidence in vendors here, the sale of liquor costs communities. She would support liberalizing regulations but stated they cannot compare Evanston, with its problems, to Wilmette and Winnetka. She has compared violent crime statistics with surrounding communities and there is no comparison because there is no correlation to those communities and Evanston. Everybody has to chip in to help pay for solving those problems here including those they have given a great opportunity. She has fought with

people in the 3rd and 4th wards who tried to craft liquor ordinances so people would accept them. Some told her this was the same as installing a liquor store on the second floor of ETHS. She thought Evanston has come a long way. If this fee is not increased, she thought they should rethink liberalizing. They have backed off on increased taxes on liquor, which won't hurt the purveyors. In some old minutes, she noted Alderman Newman had said restaurants have a tremendous impact on neighborhoods and communities. They attract extra people, problems with trash, traffic and parking. She wants them to prosper. She thought someday the Chamber would come to Council and say they are doing a good job. With all the incentives she has supported, she thought it time for businesses to give back.

Alderman Newman recalled Alderman Rainey's arguments in the 1980s where she compared the cigarette tax on Howard Street to the cigarette tax in Chicago. Her point was that higher cigarette taxes in Evanston caused people to go to the other side of the border to buy cigarettes. He recalled allowing cold beer/wine for sale at Howard/Hartrey. He said the package liquor people compete with people outside of Evanston and the amount of tax is an inducement for people to buy outside of Evanston. He thought they need sensitivity on what it costs businesses here compared to other municipalities and that Evanston should not make a liquor law based on how much tax money it will bring to the City. Liquor laws should be based upon quality of life and Evanston is a special community. Throwing out a liquor law just to make more money that would open up the community potentially to more crime, more disturbances in downtown and neighborhoods did not interest him. He noted every change in the liquor law needs to be looked at carefully. They need public hearings and the driving factor should not be money to the treasury but quality of life. If Alderman Rainey wants to roll back and not liberalize liquor laws, he would agree with her. If there were changes that would not extend hours that will not affect the community he thought they could look at those on a case-by-case basis. He thought the liquor laws had worked well where they are near residential areas and to change them has to be done carefully.

Alderman Drummer said that \$15,000 did not require that much discussion; noted they have \$100,000 for liberalizing liquor regulations. He would leave the \$15,000 on package liquor there. He said the best compromise was removing the 1% food/beverage tax. Alderman Newman asked if the \$15,000 was a trade for the sale of cold beer/wine? Mr. Casey stated the laws have been liberalized to standards similar to other communities. Jewel and Dominick's agreed to an increase in their taxes by 2% and an increase in the renewal fee charge because the extra money they will make on relaxed regulations would be worth it to them. Mr. Casey explained the liberalized liquor ordinance permits hours of sale from 8:00 a.m. to 12:00 midnight; eliminates the need for a separate cash register and separate area for liquor; permits cross marketing of merchandise and to sell cold beer/wine.

Alderman Newman stated the issue of cold beer/wine versus warm beer/wine should not be driven solely on the basis of increasing revenue and ought to be based upon community discussion. At the Dominick's on the west side, he has discussed this with several school board members who voiced concern about drinking at the high school. If the regulation is changed, it should not be on the basis of making money, but based on the quality of life of the community and that means hearing from people before making a decision. He recalled the Phar Mor discussion.

Alderman Rainey pointed out changing liquor regulations makes these stores competitive with others. Current regulations and extraordinarily high taxes have not diminished sales, but vendors tell them that relaxing regulations that are not in place in other communities will allow them to have greater sales. Having greater sales provides the vendor with more profit and stability and adds to City coffers as well. Her lack of concern with liberalizing this was due in part to the fact that Howard/Hartrey has had no incidents. Experience has shown there is no problem.

Alderman Drummer was mildly concerned about introduction of cold beer/wine at Dempster/Dodge because it was an issue with the community. Competition and the need for businesses to thrive and needed revenue calls for change. One reason he was not concerned was there is a lot of money involved in liquor and vendors cannot afford to sell liquor to minors. They cannot afford to do that and work hard to protect business. He did think they could do much about somebody buying liquor for underage people. Vendors cannot afford to have their names tarnished.

Alderman Feldman asked if during the drafting of this ordinance staff had spoken with package liquor vendors here? Mr. Casey spoke with Jewel, Dominick's, Sam's Club and Osco. He confirmed that these retailers do a large volume of business and don't think a 2% increase on package goods will affect customers who want the convenience of one-stop shopping. Fewer and fewer communities have the kind of restrictions Evanston has. He stated currently Evanston's hours are conservative. In Skokie, stores open at 6:00 a.m. Evanston will be open at 8:00 a.m. to 12:00 midnight. Alderman Feldman asked if there was anything in the liberalization ordinance concerning an opportunity

for underage people to obtain liquor? Mr. Casey thought not. Vendors have liquor sales training programs and a policy of firing an employee who sells to a minor. The City is working on an ordinance for licensure that will require Bassett training or other similar training to obtain a liquor license. Alderman Feldman asked who opposes changes in the liquor ordinance? Mr. Casey had not heard any opposition from the public or the vendors regarding hours. Alderman Feldman said many are concerned about a slight edge another community might have over Evanston. He had not realized that there was a drag on the ability of vendors to do business here up until that evening. Alderman Feldman said the only business affected negatively by the 2% tax is Evanston First Liquors and thought it was the tail wagging the dog. He thought the process is skewed if everybody on board accedes to the 2% and one does not, so they don't raise the tax due to one company. He assumed the chain stores do not think the 2% would hurt them competitively.

Alderman Newman said according to the Chamber of Commerce, Dominick's, Jewel, and Cost Plus opposed the 2% increase and asked for facts from the vendors. He agreed that the issue of cold beer/wine places grocery stores here at a disadvantage. If they lift the restriction, it should not be driven by money and various neighborhoods should have the opportunity to weigh in. He stated on repeated occasions there have been complaints and reports of underage people who look for someone to buy alcohol at the Osco downtown. They sell cold beer/wine at that Osco. If they hear of no objections from the high school, they could go ahead. He thought when they let warm beer/wine be sold in grocery stores there was concern about public safety. He wants the stores to be competitive. However, if quality of life issues outweigh revenue gains, those should be part of the process as they change these laws.

Alderman Rainey read a paragraph from the *Sun Times* about the effect of taxes on alcohol sales in Illinois. She related asking the manager of Cost Plus how lifting these restrictions would affect their business. She was told it would increase business 25-30% and the 2% tax would not affect their business. She thought it would be good to wait and see the effect of loosening restrictions and, if sales increased, take another look before next February.

Alderman Feldman said all information he received showed that the vendors acceded to the 2% and, that after Mr. Perman talked with them, there seemed to be a change in position.

Alderman Drummer said Council has heard from the restaurants and the chain stores. He did not want to have any neighborhood meetings and suggested Council vote this up or down.

Alderman Wynne raised the issue of the natural gas tax rebate; appreciated Alderman Drummer's comments that they could ignore the policy. She stated there are other needs and Council has a policy not to use one-time revenues to balance the budget and urged Council to use the natural gas tax rebate elsewhere. She asked where the City was at in the Insurance Fund? Mr. Stafford stated the City has \$500,000 budgeted in the General Fund for the Insurance Fund. They hoped the insurance recently taken out would help keep a cap on costs above that. Staff believes they can squeak by one more year. Yes, there is a long-term problem with the Insurance Fund. Alderman Wynne thought the City had been lucky regarding insurance. Mr. Stafford stated some surrounding communities have talked about rebating extra gas money and several have rebated on water bills. Was it cheaper to lower property taxes than send out a small rebate? Yes. The magnitude in relation to the budget was it was not huge. At this point it is better than sending it out on water bills. Alderman Wynne stated the City has a policy, which they are tempted to forego, what would happen if the amount was \$500,000? She asked if they would adhere to their policy, knowing there are other needs and those reserves are needed for a rainy day. She thought part of the responsibility to the citizenry was to have funds available when unanticipated situations arise. She argued that the natural gas tax rebate be used to infuse a fund that needs it.

Alderman Newman agreed but did not think it was critical. He said the budget was full of problems already and when they add that to increases in wages next year it makes the hole deeper. It seemed the intent was to get through this year with a minimal property tax increase. He predicted a significant swing in building permit revenue. He said they were trying not to create a hole for the next year's budget and that Alderman Wynne was being prudent.

Alderman Drummer stated the projections were conservative. He recalled raising building permit fees by \$700,000 and fees exceeded that number. He noted the \$700,000 was used in the Capital Improvement Program. He did whatever he could to keep property taxes down as long as possible. He thought that was the primary objective. He did not see any problem with using the \$200,000 for the General Fund. The only way to impact the budget would be a reduction in a program. He said they have a balanced budget. The correlation is that one tax offsets another one.

He thought the number next year for sales tax would be \$1.3 million. If they could agree to what is on the board, except the \$200,000, they could look for other cuts. He pointed out the \$200,000 put into the CIP would be worth \$220,000.

Mayor Morton asked if the City would get revenue from unpaid past taxes as they did last year? Mr. Stafford stated the City will get more revenue from delinquent taxes but there is not as much in delinquent taxes as has been given out in tax breaks to owners who appeal their taxes. Mr. Stafford had not put in the delinquent tax revenue, because of appeals. The amounts are not significant enough to put in.

Alderman Drummer noted a reduction in the Sanitation Division last year of \$150,000, which was maintained at that level this year. He noted Alderman Bernstein's request was to cut \$250,000 and asked if staff could get the cut to that number? Mr. Casey stated staff would look further. Alderman Drummer stated citizens want to know staff is working hard to get the number down. Alderman Rainey said this was a challenge to Council to find more cuts; thought the elected officials need to go constituents and ask them what they want. She had reservations about Alderman Bernstein's challenge to staff.

Alderman Rainey said after they dispensed with the head tax, St. Francis Hospital came to her and said they were going to check with their insurance department (had not contacted her since) about health insurance. She was told that the City could save up to \$500,000 in health insurance costs. Alderman Rainey made a reference that the City's Human Resources Department meet with both hospitals and begin that discussion. She said the City does not think outside the box, sticks to its insurance broker like glue and suggested the City talk to the hospitals. Mayor Morton had met with non-profit institutions and discussed what they could do for the City. She had also met with St. Francis Hospital and discussed health insurance.

Alderman Rainey asked the Chamber of Commerce to fax Council material for review prior to meetings. There was no way to confirm the information received.

There being no further business to come before Council, Mayor Morton adjourned the meeting at 9:26 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.