

CITY COUNCIL

February 8, 2003

ROLL CALL - PRESENT:

Alderman Bernstein
Alderman Moran
Alderman Rainey

Alderman Feldman
Alderman Newman
Alderman Wynne

A Quorum was present.

**NOT PRESENT AT
ROLL CALL:**

Alderman Jean-Baptiste

ABSENT:

Aldermen Kent and Engelman

PRESIDING:

Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton on Saturday, February 8 2003 at 9:22 a.m. in the Council Chamber for the purpose of conducting a budget workshop.

CITIZEN COMMENT:

Sally Parsons, 1610 Monroe St., chair, Noyes Task Force of the Arts Council, presented their position on the community service component of Noyes Center residents' lease and distributed a draft of the Noyes Cultural Arts Center mission statement and community service report. She said \$61,000 is lost if the community service obligation is removed from the artists' leases in return for rent subsidy. She reported that Noyes artists provide up to \$93,000 in community service programs but that is possible only with the \$32,000 rent subsidy that allows them to set up programs. The task force suggests that Evanston cannot afford to lose \$61,000 of cultural enrichment. Some who benefit from community service are 15 children who receive scholarships from the Actors Gymnasium and otherwise would not be able to take their programs, which build athletic skills, self-confidence and allow for creative expression. The Evanston Art Center Youth Fine Arts Program works in all District 65 after school day care programs, reaching 500 children, 60% of whom are from underserved populations with its Artreach program. The Figurative Art League builds teamwork skills and provided creative expression for 23 children at its Dewey School Breakfast and Books Group where each child wrote and bound their own book. The Piven Theatre Workshop awarded 18 scholarships last year to youth to attend their programs for theater arts. Those were samples of community efforts by Noyes artists putting the rent subsidy to work. Ms. Parsons reported that last year the Noyes Task Force worked on policies and operational issues that would help keep Noyes Center a strong, contributing member to the community. A mission statement was drafted that included input from the Evanston Arts Council, Noyes Center residents and the community and emphasizes the importance of community service in the use of the Noyes facility. The task force has developed ideas to increase the use of the center including holding a special occasion to bring the community into the building to sample the kinds of arts opportunities available; making Noyes a satellite center for larger cultural events in the City; holding family events on school holidays; and placing a monthly column in the *Evanston Review* about what is happening at Noyes. A complete list of these ideas will be in their final report that will be available later in 2003. The task force asked Council to consider the value of retaining the community service subsidy for Noyes artists for the extra benefits that it provides.

Diane Leavitt, 202 Shermer Rd., Glenview, administrative director of the Piven Theatre Workshop, noted that Evanston is alone among its North Shore neighbors in commitment to diversity of the people it serves and the causes it believes in. While other communities may pay lip service to the arts, Evanston established an arts building, the Noyes Cultural Arts Center, which houses many critically acclaimed and nationally recognized artists who teach a wide variety of disciplines. While resident artists at Noyes are subsidized collectively by a rent reduction of \$32,000 a year, the total amount of community services provided is between \$60-93,000, a two to threefold return on the City's investment in the arts. Like the City, the Piven Theatre Workshop struggles with its budget that is long on expense and lean on income. The proposal before this Council would mean an increase in their rent of more than \$8,000 annually above the established rent increase. Where would they find that money? She suggested it most likely would come from cuts in scholarships and existing outreach programs to Y.O.U, Children's Home & Aid Society, the Center for Independent

Futures and SHORE, to name a few. Proposed partnerships with other service and non-profit organizations would be put on hold. She stated the young people who benefit the most from these programs and services now provided by the workshop and other artists at Noyes, have the most to lose. Public schools with recent cuts in the arts won't be able to fill the gaps. That is what the artists at Noyes have been doing. She noted the Piven Theatre Workshop has been a proud member of the community for more than 30 years. Extracting this additional rent will result in a huge loss in terms of donated services and enrichment to Evanston citizens.

Joan Hickman, 1614 Main St., noted Evanston has only one senior center and numerous centers for children. Her comments were directed towards 3-5:00 p.m. weekdays, which are hours she believed new programs could be developed for seniors at the Levy Center so that facility would be used 8:00 a.m.-5:00 p.m. She stated the Levy Center opened July 21, 2002 and in six months staff got the center organized and programs up and running. The next six months should be used to develop more programs with a new program manager. She noted that people the ages of her children can sign up as senior citizens, are asked to retire much earlier than in the past and will need some place to go. The reason for her forward thinking is to save this space for senior citizens. She stated the children's theater should stay in the community; asked why black children always have to leave their community for activities other than sports? There is no direct transportation to the Levy Center and children who travel by bus would have to transfer two or three times. She said that black children have to leave their community to go to school and must they also leave for activities as well? She was raised two blocks from the then Foster Field and could walk back and forth to home. Had it been today, she would not have been allowed to do that because she would have had to ride the bus. She said if black children could go to the white community for activities, why cannot white children come to the black community for activities?

Jack Lerman, 2412 Park Pl., had second thoughts and believed "it ain't over 'til it's over." It did not make sense to him that City officials would remove community service from the responsibility of Noyes Center tenants at a cost of gaining \$32,000 for the annual budget. Community service is listed at its base for \$93,000 because many tenants contribute much more than is required and it may be more like \$150,000. Tenants do not get credit for any more than is contracted in the rental contract. Sometimes 100 to 300 times more is given than what is contracted. In addition, good will and good works are extended to the community. He was astounded that \$100,000 in community service could be diminished.

At 9:38 a.m. Alderman Feldman moved that Council convene into Closed Session for the purpose of discussing matters related to collective negotiating pursuant to 5ILCS Section 120/2 (c) (2). Seconded by Alderman Newman.

(2) Collective negotiating matters between the public body and its employees or their representatives, or deliberations concerning salary schedules for one or more classes of employees.

Roll call. Voting aye – Bernstein, Moran, Rainey, Feldman, Newman, Jean-Baptiste, Wynne. Voting nay – none. Motion carried (7-0).

At 10:10 a.m. City Council reconvened. Alderman Feldman moved to go into Committee of the Whole. Seconded by Alderman Jean-Baptiste. Motion carried unanimously.

City Manager Roger Crum stated this was the last scheduled budget workshop and staff needed sufficient direction to wrap up so everything could be put into final form for adoption on February 24. All modifications to the proposed budget were on the board and staff was prepared to help them arrive at another balanced budget.

Alderman Bernstein asked in reference to the proposed 15% rent increase at Noyes, whether the City had any method of obtaining financial statements from tenants to determine their ability to pay? Mr. Crum stated the City has not attempted to ascertain ability to pay as a criterion, but has used other methods such as square footage and comparables. Parks/Forestry & Recreation Director Doug Gaynor stated that over the last several years there was discussion of internal revenue documents by non-profit and for-profit entities that would give a sense of the financial condition of each tenant. That was not implemented. Alderman Bernstein's sense was the community believes that Council opposes community service by artists, which was not true. He said Council encourages community service over the rent charged. He noted the rent increase is 15% plus the annual 5% increase, a 20% increment, which seemed like a lot in one year. He would feel more comfortable, as in the real world, where it's based on the ability to pay. He said it was not uncommon to have percentage of gross revenues in a lease situation. He would like to see information on what tenants could afford to pay.

Whatever happens, he asked Noyes tenants to continue community service to the extent they can. He thought not-for-profit organizations should have no trouble sharing this information, which is public record and he would like to see a financial statement by for-profit organizations there.

Alderman Bernstein asked where children at the Children's Theater come from? He understood most children are not from the 5th Ward. That is correct. Mr. Gaynor noted before he came to Evanston, the Children's Theater was at the Levy Center and was moved 5-6 years ago to Fleetwood-Jourdain Center. About 75% of the children live throughout the City.

Alderman Bernstein recalled the impact of new construction on the budget and asked if the \$140,000 was included in this budget? Finance Director Bill Stafford said it is included in the levy.

Alderman Jean-Baptiste asked if the Children's Theater had been transferred to the Levy Center? Mr. Gaynor said it was transferred and has 4:30-6:30 p.m. hours on Tuesdays and Thursdays except when there are productions on weekends. Alderman Jean-Baptiste asked about the current senior citizen programs and how the Children's Theater program impacts Levy programs? Mr. Gaynor said the senior program should not be impacted at all. The Children's Theater starts at 4:30 p.m. The senior program is from 8:00 a.m. to 5:00 p.m. Monday-Friday. Before 8:00 a.m. and after 5:00 p.m. and on weekends, the Levy Center is open for all types of activities for all ages. Alderman Jean-Baptiste asked if this programming had been discussed with the Senior Advisory Board? Yes, the board is aware of the programming, had no objections to and supports the Children's Theater.

Alderman Jean-Baptiste agreed with Alderman Bernstein that no one should think that Council is opposed to community service. The concern expressed about raising the rent 20% in one year is legitimate. He asked Mr. Gaynor what rent increases of 10% or 15% would mean to the deficit? Mr. Gaynor noted there was a lot of discussion at the Human Services Committee about this rent increase. Recreation Superintendent Bob Dornecker passed out a February 7 memorandum with proposed lease and community services rates and associated revenue projections. Mr. Gaynor explained that a 5% rent increase is implemented annually at Noyes. Alderman Jean-Baptiste asked if the annual increase of 5%, plus another 5% was charged and community service kept, could the \$22,000 be made up? Mr. Gaynor said no, when they put the proposal in the budget this was their best effort. He noted other things are drastic such as closing the Skate Park, and eliminating swimming at South Blvd., Monday through Friday. He said they no longer have the ability to just squeeze things down. Mr. Crum said that was done with every department; he urged Council to take a step back and think about what is fair for the Noyes Center. If they believe another number is appropriate, give staff direction and they will look for a way to make up that amount. He said that Mr. Gaynor had done an excellent job of going through everything in the budget and it was a hard adjustment to make. He thought the Human Services Committee was trying to determine what was fair in light of the direction of the Noyes Center. Mr. Gaynor noted the memorandum shows the current method for determining community service, which was not broken down by studio but by square footage for the three floors. The current rental square footage in the basement is almost 8,000 square feet and the current community service rate for that space is \$1.08, so an \$8,500 community service value is placed there.

Alderman Bernstein asked if the Children's Theater uses the stage every time they are at the Levy Center? Mr. Gaynor said they would work that out. He said the difficult challenge is where to build/store sets and costumes at both theaters, and that the children's theater is at the Levy Center at dinner hour.

Alderman Feldman asked if there was a 5% increase above the annual rent increase of 5% for Noyes tenants, what would be the deficit? Mr. Gaynor said \$20-22,000. Alderman Feldman thought the artists and citizens who spoke about community service were on the mark and there was nothing more essential to their mission than that. Council support has to do with support of the arts in relation to and interacting with the community. He said if community service was ever dropped and Noyes became an "ivory tower" of artists, he would work to eliminate that use for the building. Still, he noted the City is faced with cutbacks and sacrifices. At the Human Services Committee, the Mental Health Board told aldermen of their distress but acquiesced to the fact that purchased services would be cut 3.5%. That means agencies and people will be affected. He said throughout the community there were significant elements that affect diminution of services and for various things they have supported.

Alderman Feldman moved that the requirement for community service be restored and to add an additional 5% to the

annual 5% rent raise making the total rent increase of 10% on Noyes artists. Seconded by Alderman Jean-Baptiste.

Alderman Rainey and Mr. Gaynor discussed the 10% rent increase.

Alderman Feldman said as significant as the testimony was regarding community service, unfortunately it was characterized that this Council action was an attack on the arts. He thought they do a job far beyond their capacity in support of arts and beyond that of many other communities; knows of few facilities as wonderful as Noyes in other communities. Artists are citizens here and have to bear additional burdens that other citizens have to bear as long as Council and community are convinced that support of the arts is essential in the City budget, efforts and thinking, which he believes is the case. To ask artists to share additional responsibility as others in the community do, and, if Council did not ask, it would diminish artists if less were asked of them. He was not certain whether they were asking less or more. While the amount can be disputed, the good will and purpose cannot.

Alderman Newman said that there has been tremendous pressure on Parks/Forestry & Recreation to make cuts in this budget and many cuts were not spoken about. He suggested a list of all cuts be given so people could see that there are significant service reductions; said there is no printing press downstairs. He noted they are cutting back on tree trimming, keeping the South Blvd. Beach open during the week, programming at the Levy Center and programming for at-risk youth at Fleetwood-Jourdain Center. The reality is that money must come from somewhere to save the recreation programs for all kinds of people. He said Council will continue to look at all parts of the budget. When people get a specific service, Council tries to look at the real value of that in the market. He noted the Noyes Center facility is in excellent shape. One real estate broker told aldermen that the value of the rents there is \$18-20 a square foot. If that is true, that is a 30-40% subsidy of those rents, which does not include the cost of capital improvements to that facility. He thought there is a real commitment to the arts. Some adjustments were with the Fleetwood-Jourdain Theater, which will save \$45,000. He said this is a tough budget situation and what staff recommended was not an attack on the arts but a reality considering revenues.

Roll call. Voting aye – Bernstein, Moran, Rainey, Feldman, Newman, Jean-Baptiste, Wynne. Voting nay- none. Motion carried. (7-0)

Alderman Rainey asked for an update on the current fund balance. She asked for actual expenditures for snow/ice removal and realized they could have an enormous snowfall in the future. She noted actual January transfer tax revenue from the City Clerk was \$3,418,000 and it appeared to her the projection for the year was \$1 million plus and wondered how that fits in with the year-end fund balance. She said this example was only one and the last revenue/expenditure report Council received was in November. Mr. Stafford said on snow/ice removal, they are at 38% of budget due to less snow. That is budgeted at \$532,000 and \$203,000 was spent as of end of December. Mr. Stafford said there is \$3.4 million revenue from the transfer tax. On the overall budget, as of the end of December, the City was within budgeted expenditures and slightly behind on revenues mainly due to the fall-off of the income tax. In terms of “net” the City is to the good and currently that number hovers around \$500,000, but they have another month to go. He will not have January figures for another week; thought that was consistent with what staff thought, that they would bring this budget in at budget. He noted \$500,000 is not a lot of margin on a \$72 million budget.

Alderman Rainey referred to a memo on the cable franchise fee that increased the projection to \$475,000. At the last budget meeting, the projection was \$450,000. The base they have is \$123,000 per quarter, which is about \$490,000, plus a 5% rate increase is coming in the fee being charged so she challenged the \$472,000 projection. She said to put in the money the City has been getting and if there is a dip in cable subscribers there would be something drastically wrong with cable marketing, noting residents are being added. The argument that this will dip eluded her and she asked for an explanation. Mr. Stafford responded that his concern was they have only two quarters of service without the modem fee. She noted there were two quarters after that and the quarter before when they got the modem fee. They know the cable income minus the modem fee, which was the same for three quarters. Mr. Stafford said that the \$490,000 figure is legitimate and he discounted it conservatively to \$475,000 because he had only two quarters of history. He would not argue that \$123,000 is probably a base line. Without a full year history, he estimates conservatively. She asked when they know what the cable franchise modem revenue was for the first quarter, when subtracted, they know what they have left and she asked why he did not accept that as a legitimate number. Mr. Stafford noted they are \$15,000 apart. He could

move it to \$490,000. Alderman Rainey agreed to \$475,000 as the revenue projection on cable franchise fees.

Alderman Feldman said the \$500,000 increase in the transfer tax projection should come down. The staff memo was convincing and, in light of recent events regarding the budget situation, he thought it would be imprudent to extend that projection that much. He had no idea what the real revenue would be, but that staff's position regarding a conservative approach is what they should take. Alderman Feldman moved reduction of \$500,000 in the real estate transfer tax projection. Seconded by Alderman Wynne.

Roll call. Voting aye – Bernstein, Moran, Feldman, Newman, Jean-Baptiste, Wynne. Voting nay- Rainey. Motion carried. (6-1)

Alderman Rainey asked were part-time employees given the opportunity to unionize and what would be the impact on their benefit package? She wanted a memo from the City's insurance carriers as to whether group insurance coverage can be extended to part-time employees and to see graduated hours per week such as 10, 20, etc. Alderman Newman said that information is in memo #17. She said they had no memo from the insurance carrier as to whether they would insure in a group plan a 10-hour a week employee. Mr. Crum noted they would review that but this is about hypothetical future action. Alderman Rainey thought this could affect the City's budget mid-year.

Human Resources Director Judith Witt explained budget memo #17, which contained several scenarios. If there were roughly 200 permanent part-time employees working 10 hours a week, the average cost for single coverage for the year would be \$810,000. Permanent part-time employees working 10 hours or more a week with two years of service is slightly under \$500,000. For permanent part-time employees working half time the cost would be about \$400,000 and permanent part-time employees with five or more years service would be \$250,000. Contracts with current insurance providers would have to be renegotiated because they cover only full-time employees. Alderman Newman said that whether or not there is a union does not change the City's obligation to pay benefits to part-time employees. He thought the implication of what she said was that if unionized the City would be obligated to pay.

Alderman Feldman asked with a 6% increase in the real estate property tax levy the percentage of the total tax bill? 1.2% or \$122 on a \$10,000 bill. For every thousand in taxes the City's increase is \$12 more.

Alderman Newman asked if the \$532,000 was the high end or worst year on snow/ice control expenditures? Mr. Crum said they try to budget an average year based on a five-year average. Some years they exceed that amount and some years spend less. In 2001 over \$1 million was spent on snow removal. Alderman Newman asked if an ordinance was being prepared on the sewer rate? Yes. Alderman Newman thought it helpful to know the total number of reductions. Mr. Crum said a summary would be prepared. Alderman Newman also thought it important to know about increases such as the 15-17% increase in health insurance costs; reductions in state revenues and that the state has not passed its budget and faces a \$5 billion deficit. He suggested a review sheet and how Council responded. Mr. Crum said the latest update on the state numbers shows they are slightly lower than projected.

Alderman Jean-Baptiste suggested that the public relations director issue a press release explaining what the 6.5% increase represents to citizens when they read headlines that say "6.5% tax increase" because they don't understand what it means. With increased property going on the tax rolls, this increase may be even less when they levy the tax. It was important to manage the perception of what citizens were asked to do. Mr. Crum said that was an excellent suggestion and that they had probably done the best they could under the circumstances. He stated that Evanston seems to get more attention than other communities and that increases are not unusual in this environment.

Alderman Feldman asked if any Council action was needed? Mr. Crum said nothing was final until the budget is adopted. There can be changes, last-minute amendments and, if they wish to direct that this was final, that was okay too.

Alderman Rainey referred to a memo of legal commentary regarding the rooming house tax. She thought there has to be a correlation between the effort expended and the fee collected. She sensed a tone of caution that there was a potential for a lawsuit if the City raised rooming house fees above a certain point. Mr. Crum stated that would be discussed at the

P&D Committee on Monday. He said the memo said, if this is Council's wish, that it could be justified. They are saying there is a limit and should not use a licensing fee as a tax with unlimited authority. They need to remember the purpose of a license versus a tax. He confirmed that the proposed increase is within an acceptable limit. Alderman Rainey asked if the fourth quarter expenditure/revenue report would be ready by February 24? Mr. Stafford confirmed that she wanted a projection through the end of the fiscal year. Yes. Mr. Crum said they would go back through each assumption in the budget and make sure of the numbers and present a short summary.

Alderman Newman asked for a memo on what is planned for the \$200,000 renovation of the coach house and rents. He thought the rents that were earned were put back into Facilities Management and that had to stop. He said rents need to go back into the building. He wanted to see the projected plans, rents and maintenance budget if the two apartments are renovated.

Alderman Feldman said in cost estimation related to license fees, he noticed all direct costs that were related to legal obligations of the City pertinent to the ordinance creating the license. He said in some cases, there are dramatic increases in other costs that have been connected historically with rooming houses. He noted increased police calls, trash issues and impact on neighborhood parking, etc. He asked if those were a legal addition to license fee expense? Mr. Stafford responded that it gets down to the purpose of the rooming house licensing fee expense. He said an argument could be made for indirect costs, even though those are services and calls that directly affect occupants, when someone is in front of an administrative adjudicator, they have to be specific relative to the fee and the purpose. Clearly they have costs, a building, a fire inspection which are clearly related to the building's purpose. For overhead costs some fire costs were prorated. Could garbage and related police costs be put in? He did not think the argument would be as strong. He pointed out that many of those rooming houses have an alternative police force. In addition, on some costs relative to garbage, one could argue that is a whole separate issue. He thought the alderman was right in terms of overall costs. In terms of what they think when they have to justify a specific license, the City believes they are on good ground with the costs they have. He said they were taking a narrow view of those costs and the parameters of the licensing fee. Alderman Feldman made the point that the direct cost compensates the City for its expenses in proportion to the income from the license fee. He thought there have been dramatic additional costs the City bears due to some rooming houses.

Alderman Newman said a similar example would be retirement homes where there are many fire/ ambulance calls. He noted the necessity of having expensive equipment. He asked when there is a specific call to a retirement home is there a charge? There is a transportation fee. Alderman Newman pointed out when hotels are bigger they have to have a larger truck to get to the top of the building and he did not know where the fees for capital expenditures get in. The memo dealt with inspection fees. Mr. Stafford said that legally they had a proration. He explained within the Fire Department budget there is cost for fleet services. They have to be careful because it is related to the cost structure when there are fire districts, which do not charge on number of calls or uses but rather on a proration on the population. They have to be careful when they get into cost allocation in the public sector and look at overall service, not just calls.

Alderman Jean-Baptiste asked for a memo on the Evanston Art Center; how long the \$1 a year lease will last and expenses incurred there so they can free up the building and start generating revenue. Mr. Crum said a budget memo would be prepared. Assistant City Manager Judith Aiello explained staff was asked to prepare a comprehensive look at the arts complex, which includes the lighthouse, parks, beach and coach house and that will be presented at the March Human Services Committee meeting. A budget memo on the terms of the lease will be prepared. She explained staff has pulled together history, lease terms and map. Alderman Jean-Baptiste asked for current capital expenditures there.

Alderman Rainey said the late fee on water bills is 10% and given the cost of water, that is hefty. She asked for revenue generated in the past two years from late fees. She was told that Nicor and ComEd charge 1.5% for late fees; thought that was because the ICC controlled them. She said the late fee is a burden to citizens who may be late now and then. Alderman Bernstein was told the new water billing is effecting a net savings but has never seen any analysis. Mr. Stafford said a memo would be provided. The new system gets the money in the bank four days earlier.

Mayor Morton asked when staff expects the Sherman Avenue garage to be torn down? Ms. Aiello said they hope the garage would be ready to come down in April or May. She said the developer is in final negotiations to secure financing and finalizing leases to meet City conditions, selling condominiums to meet the bank's threshold and putting together

\$170 million of financing. Mayor Morton asked where revenues are for the garage since it is not coming down in March? Mr. Stafford said the City had not budgeted for that. They will pick up some dollars and have issues in the Parking Fund that depreciation is not being covered. He said there would be a few more dollars. Mayor Morton asked the estimated monthly revenue at the Sherman Avenue garage? Public Works Director David Jennings did not have a monthly figure. He said in revenue projections they move people around. When they project revenues will drop, they anticipate the people who park will be somewhere else. Mayor Morton asked why the revenue could not be considered as extra revenue for the budget? Mr. Jennings said because it was put in another line item such as the Maple Avenue/Church Street garages. Mayor Morton asked if there were TIF funds that could be transferred to the City? Ms. Aiello said staff had done a thorough analysis to justify the amount of staff time working within those TIFs. They believe it has been stretched to the maximum under the law. Mayor Morton asked if more transfers could be made from the Water Fund to the General Fund? Mr. Stafford did not think they could and have held it at \$2.3 million for the last four-five years. The Water Fund is on its feet. They are running \$2 million in capital improvement there and have to maintain that facility. He said the Water Fund is stable and not a possibility for revenue. He recommended leaving that as is. He thought Council's directive was to maintain that rate structure without rate increases. Mayor Morton asked if the City was receiving funds from Chiaravalle? Yes. He will provide a report. Mayor Morton asked where the \$30,000 would come from to pay the consultant fee for the Civic Center? Ms. Aiello said the money would come from the CIP roof account and \$800,000 was budgeted for roof repairs. The first phase analysis was the roof would cost \$1.2 million to repair and \$30,000 would come from that account for U.S. Equities. If there is an emergency, the City will patch it.

There being no further business to come before Council, Mayor Morton asked for a motion to adjourn. The Council so moved at 11:26 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.