

CITY COUNCIL

February 22, 2006

ROLL CALL - PRESENT:

Alderman Moran
Alderman Tisdahl
Alderman Rainey
Alderman Hansen

Alderman Wollin
Alderman Jean-Baptiste
Alderman Wynne
Aldermen Bernstein
Alderman Holmes

A Quorum was present.

PRESIDING:

Mayor Lorraine H. Morton

A SPECIAL MEETING of the City Council was called to order by Mayor Morton on Wednesday, February 22, 2006 at 7:18 p.m. in the Council Chamber for the purpose of conducting a workshop on the FY 2006-07 proposed budget.

Announcements

City Manager Julia Carroll announced that information on Sherman Plaza and the February 28 Civic Center Committee meeting was on the dais for Council members; noted Evanston has an Olympic Gold Medal Winner, Shani Davis.

Parks/Forestry & Recreation Director Doug Gaynor reported that Shani Davis is due back around April 1st. The City has banners at Robert Crown Center and wants to put two banners on Main Street in front of Crown Center and several downtown. They would like to invite him to a City Council meeting. Staff is open to anything Council wants to do to celebrate his victories. Mayor Morton has been in contact with former fire chief Sanders Hicks, who was responsible for getting Shani Davis into skating. Whatever Council does should be based on advice from Mr. Hicks and what is appropriate. Mr. Gaynor has been in contact with Mr. Hicks and wants to work with the Speed Skating Club at Crown Center. Mr. Gaynor said Ben Agosto also started skating at Crown, left Evanston for Detroit to train at an Olympic facility and got a Silver Medal in ice dancing. Alderman Tisdahl suggested they invite Shani Davis to a Council meeting along with the Evanston Speed Skating Team because he said this one was for the Evanston kids. Alderman Bernstein recalled that Megan Crowley participated in the Winter Olympics.

K-9 Unit Proposal

Ms. Carroll reported the City had a unique offer from an anonymous donor who wanted to provide a K-9 dog to Evanston. The City has no K-9 dog at this time. Assuming that Council wanted to go forward, the first year cost for a full year would be \$64,600 with benefits and training. By the time the dog is purchased they would need an officer for half the year so the first year cost would be \$57,000, because a commitment was made for a vehicle donation.

Mayor Morton recalled an event when a K-9 dog was present; wanted to hear from Chief Kaminski. He stated a K-9 dog from the Cook County Forest Preserve Police was at the CommUNITY Picnic. The Mayor and Alderman Jean-Baptiste asked under what conditions a K-9 unit is used and how do they presently get a K-9 unit? Chief Kaminski said they request a K-9 unit through mutual aid from the County or an agency that has one. Have they had any problems getting a K-9 unit when needed? He said most agencies are good about letting Evanston use their dogs. No one turns them down. Mayor Morton asked Chief Kaminski if he needed a K-9 unit? He said the police use dogs for drugs, tracking and building searches about 30 times a year. She asked the questions because she did not want to add costs to this budget and had not heard the need for this service brought before the Council. Chief Kaminski said if they had a K-9 unit they would use it more than they do now because they cannot tap other communities constantly. They only call when there is a need. There are applications for a K-9 unit that they are not using now. A K-9 unit would have one person handling the dog with a vehicle that responds to calls. The dog stays at the handler's home, who feeds and cares for the dog. Jean-Baptiste asked the cost of having a K-9 unit?

Ms. Carroll explained a donor wants to give \$60,000 to cover the cost of the first year. Thereafter, there would be an ongoing cost for an officer but no vehicle or maintenance costs because a car dealer was willing to provide that. The City would fuel the vehicle and equip it for the dog (one-time cost). Because there is a long-term implication she brought this to Council. There is also acquisition of the dog, training and equipment. Thereafter, they would have salary/benefits for the officer and other costs to maintain the dog.

Ms. Carroll credited Alderman Rainey for bringing this donation forward. Alderman Rainey said a resident called her and wished to make a donation of \$60,000 specifically for a police dog to help Evanston. The individual remembered when the Police Department had a K-9 dog. She spoke with Chief Kaminski and found that police dogs are used a lot. Sometimes in an urgent situation, for example, the tragedy on Ashland there was a delay in getting a dog there and who knows what the difference in that investigation could have been. Alderman Rainey, Chief Kaminski and Julia Carroll met with Richard Fisher of The Autobarn Ltd. and told him a vehicle was needed. He volunteered a vehicle plus maintenance. Since then, other people have wanted to make contributions, such as getting the dog a vest. She thought it would generate a lot of community interest, in addition to doing good police work, the dog is also good for community public relations. She was grateful to the donor and to Richard Fisher. Alderman Rainey said the donor, who is not affiliated with any organization, would like the donation made Monday evening. In response to Alderman Holmes, Management & Budget Director Pat Casey said the vehicle would be replaced every five years but did not know how long the vehicle donation would last. Alderman Rainey said Mr. Fisher indicated he would replace the vehicle.

Ms. Carroll stated if they want to accept this donation, it needed to be built into the budget and staff would schedule recognition at the next Council meeting. She asked for direction.

Alderman Rainey moved that on Monday, February 27, Council accept the donation from the anonymous donor and Richard Fisher at The Autobarn, who will provide a vehicle and maintain it. Seconded by Alderman Wynne.

Alderman Jean-Baptiste was thankful for the gift but did not think it was a priority to have a recurring annual cost. Now there is no cost when the City needs a K-9 unit. Council is ready to debate raising taxes or putting on a food/beverage tax. The Chief was asked if he could do without a K-9 unit; has done without and has access at no cost when needed.

Alderman Bernstein was reluctant to add employees but this will give them another sworn officer on the street; knows the Chief holds the line and cannot advocate for what he would like. He was aware of the impact of a dog on crowd control and this would be a wonderful addition. He was willing to stretch for the cost of a uniformed officer. In the short term, this year costs nothing and contributions would be made to this. They have ongoing food and fuel costs. With the donated vehicle, they are talking only about adding another employee and suggested this would help enforcement in many ways.

Alderman Tisdahl asked if there was any possibility that an officer on the force could be trained to work with a dog? Chief Kaminski said they would not hire a K-9 officer, but open this up to the department and ask any current employee who wanted that assignment to take it, pull the person off their current assignment, then replace that person. He clarified that person would be assigned to the Patrol Division, not to a specific shift. The K-9 would be deployed on a most needed basis. Whoever takes the job must understand the need for flexibility. He explained that a K-9 dog makes it much easier to search premises for drugs.

Alderman Moran said if the person who was willing to pay for the K-9 for one year would go for 10 years, he would go for it. Looking at the 10-year cost, excluding the first year, it would be between \$1.2 and \$1.3 million. It is not budgeted and something they have not looked at. They were told the main driver of the potential property tax increase is obligations related to pensions and other financial obligations related to the employee base. That is 80% of the budget. This is a position that was brought before them tonight and espoused to be essential. When finished with this issue, they have to wrestle with what they will do with the budget and a potential property tax increase of 7%. He could not commit to this; appreciated the donor's generosity, but found it similar to federal funds they drew on to add police officers and ended up paying for all of them.

Ms. Carroll said there is a timing issue related to the donor and they need to make the decision sooner rather than later. Alderman Rainey said she would be glad to notify the donor that the offer was not accepted. The donor would not agree that this money be used for any other expenditure. Alderman Rainey said they get many complaints from the business sector and it is rare when the City gets a contribution from the business community; was proud of Richard Fisher for making this gesture. She suggested it would be helpful to get something in writing from the Chief on the number of times dogs were used, how effective and the difference if the police had a K-9 unit versus borrowing one. Evanston has a crime problem and this would be an important tool. She did not believe they have a full complement of 161 sworn officers on the job at the same time, so was not sure it was a new expenditure. An officer on duty now will do this. She asked Chief

Kaminski if there was somebody who would be interested in this job. He said that many would love to do this job. Alderman Rainey looked forward to conducting a campaign to help fund this.

Alderman Wynne agreed that a memo from the Chief would be helpful; noted these were remarkably generous offers and that people will make donations for specific causes. She asked if there was a deadline on the offer and must the decision be made by next Monday? Alderman Rainey said the donor had not said. The offer is only for a dog. Alderman Wynne asked if they could wait until the March meeting to make a decision? Ms. Carroll said it was not a problem as long as the donor could wait, but understood there was a push regarding the donation. She explained that even if they offered this to someone internally, that person would have to be replaced, so there is a cost that could be discussed at the March 13 meeting. Numbers will be revised and they will get a memo from the Chief. Ms. Carroll explained one thing that is different from prior budgets, is that she took away 1% of every department's budget this year as a vacancy factor to save \$480,000. That is built in the upcoming budget so that money not spent in the past has already been reduced.

Alderman Wollin thought that a K-9 unit in a city the size of Evanston would be an advantage and that there were all kinds of things to raise public awareness of the dog, its personality, what it does and naming the dog. Youth could get involved. She found the offer extraordinarily generous to increase the ability of the police force and supported it.

Alderman Moran said on the 10-year horizon, if they accept the gift, the commitment would cost 20 times the gift. On the car, costs would be 5-6% of the overall cost. Taxpayers would be asked to pay 16-20% of the costs associated with the vehicle. He said they came here to figure out how to avoid or minimize increases in taxes; whether to tax restaurants or all citizens. They are talking about taking on a huge financial commitment without any planning, discourse or suggestion of need before that evening; have more work to do to vote on the budget. He asked people to think about that.

Alderman Bernstein said getting a dog was like having another officer. He, too, would like more information from the Chief on efficiencies and savings they might have on a patrolman's time on tasks that a dog could do. Over time, they would make it up. He recalled a crowd situation recently in front of the theaters and noted a dog can dissipate crowds; suggested efficiencies on the downtown beat would be improved by having a K-9 unit on patrol.

Alderman Jean-Baptiste had no idea of the hours spent by staff putting together the budget. For Council to be enticed into spending \$1 million over ten years because somebody donated \$75,000 for a dog and vehicle was not a responsible process; noted the Chief did not advocate for this. It was a great offer and honors that person but was not a priority.

Mayor Morton said staff would bring back a report.

Updates on revenues and expenditures

Ms. Carroll reported staff had reviewed expenditures and revenues. Last Friday a report was sent on what they could do to reduce the tax levy. Finance Director Bill Stafford said staff came up with two prudent and viable budget options for Council consideration. One relates to compensated absences. Staff budgeted about \$280,000 for severance pay. There was an accounting change this year. The budget is basically an income statement with revenues/expenditures. The other portion is the balance sheet. What the auditor did in the classification resulting from GASPE 45 is they used to have compensated absences at a \$2.1 million liability on the balance sheet and that was reduced to \$452,000. They always reserved money for the eventuality of paying that. This allowed them to take the difference of about \$1.7 million and move it to a reserve account and have the opportunity to pay some of those compensated absences that, in many circumstances, are termination payouts. Council passed a new health savings program and told staff they wanted to use it aggressively this year. Some employees are sitting on large blocks of vacation/holiday time and they got them to contribute that to reduce the amount of money the City owes them. This year that amounted to \$300,000, which freed that money up. That is the same pot they will use to pay the severance payouts. This year they can use \$280,000 and still have close to a million to use for the next five years. They think that is a win-win situation and can be sustained.

Staff looked at debt service noting they have a sizable cash balance. Because of the past year's accumulation from people paying off special assessments, they have significant dollars. This is just for one year and, instead of increasing the levy by \$337,000, they will take cash from debt service and restructure the debt when they issue bonds in the spring and pay in December. What is often done, if they don't have the tax levy in to pay for that, is they add that to the bond issue

(capitalized interest). What they propose is to pay that with cash this year and do that in smaller amounts for the next few years, which allows them to reduce the levy but ensure in future years they can stick to the policy Council laid out. Next year they will see a 4% increase for the next five years and issue \$10 million annually in bonds for capital improvements. They will take the \$337,000 in cash from debt service and more money to pay for the capitalized interest for the next several years. This is a one-time issue that won't erode the policy of issuing \$10 million in bonds annually for capital needs. Staff believes that compensated absences and debt service are prudent moves that won't hurt the City in the future.

Alderman Rainey asked how this shifting of funds helps the City in the future. Mr. Stafford said the debt service is a one year change to make sure the levy does not go up. The hope is that next year, with a 4% debt service, they won't have such an extreme increase in the IMRF rates and pensions. The compensated absences are a win-win situation, reduce that liability and allow the City to pay off vacation and sick time now and not let it increase when the cost of living goes in on new contracts March 1. Accounting changes have allowed them to do that.

Ms. Carroll said the draw down on debt service is for one year and noted there are some policy issues. They can discuss different ways to handle this. For example, in the past she has used policies where, if they have the tax levy money, any interest earned on that money, until spent, is used automatically to reduce next year's tax levy. The City has not had that kind of policy in place, so they can do things that can impact that tax levy in the future. The other thing they can do is not issue as much debt if they find the other levies will go up. They could do this in year two or three, but there are many unknowns such as the Civic Center and did not want to commit for more than one year.

Alderman Rainey asked to see the compensated absences and debt service reduction on the board. Mr. Casey said the reduction in termination pay is \$280,000 and the debt service levy is adjusted down to zero. With this proposal, the General Fund Levy was \$17,752,400. Instead of the levy being at 6.30%, it was at 4.94% for all funds.

General Discussion

Mayor Morton asked Mr. Stafford to explain potential revenue due to payments in lieu of taxes. Mr. Stafford said an agreement for payment in lieu of taxes was made in 1970 when Wayne Anderson was city manager. It covers Noyes Court, 1900 Sherman and one other property and, it appears from the documents, that the County Housing Authority has been remitting those funds to the Cook County Treasurer. They got \$24,000 for the 2004 bill. Currently, they are working their way through Ms. Pappas's office. He could not find where it had been paid. They hoped to track down those dollars and will report back to Council. He thought that 1900 Sherman was built in 1980. Alderman Rainey asked about 824 Dobson, Anixter, which was to pay in lieu of taxes. Mr. Stafford stated they are billed and would report back. Mayor Morton asked if the document included future housing? Alderman Rainey said all owe a debt of gratitude to the Mayor. Mayor Morton said she had a vested interest because she sold property to the Cook County Housing Authority for public housing on her block and it was built. She talked with the present director of the Cook County Housing Authority, who told her they had sent "X dollars" to the Cook County Treasurer. Mr. Stafford said the Housing Authority has receipts for monies they paid in and list the communities, such as Oak Park and Evanston, so clearly checks were sent to the County to be remitted. Alderman Rainey asked if staff had checked with other communities? He is checking with Oak Park.

Alderman Rainey referred to budget memo #44 building permit fees; knew the manager did not favor raising building permit fees and that Evanston has no impact fees. There are many people in the community who would like to see some controls put on development. She would like a discussion on increasing building permit fees, which were last raised in 2002. The fee is 1.2% per total construction value and suggested raising it to 1.5%. She asked if there was any equal protection issue with doing this only on projects in excess of \$1 million.

Community Development Director James Wolinski said Evanston's base building permit fee is \$12 per \$1,000 worth of construction or 1.2% of the total value of a project. They ran numbers at different rates on projected building next year of \$176 million. A 1.3% increase would mean \$176,000 more in fees, 1.4% would be \$352,000 and 1.5% would bring in about \$528,000. He was concerned in relation to neighboring communities because Evanston has been higher on base building permit fees. They were at \$12 in 2002 when other were at \$8 and \$9. Now Wilmette is at \$14, but does not have the amount of construction that Evanston does. Skokie, Northbrook and Chicago are at \$10. Naperville was requested but is done differently because the majority of the fee was to connect to their municipally owned electric utility. Evanston has no impact fees as do many communities. The only impact fees that come about are from planned developments when

Council requests affordable housing or street repaving. At the direction of the city manager, a study on impact fees will be done by Public Works, Finance and his department.

Alderman Rainey thought impact fees are complicated; did not see developers choosing another community as opposed to downtown Evanston. Building permit fees are a perfect place to get additional revenues. She did not see Council interested in cutting anything, so they have to look for new revenues. They cannot continue the same service for the same number of people and not raise the bottom line on the budget. If it keeps out an 18-story building, the neighbors would be happy but she did not think that would happen. She would like to take out the less than \$1 million projects. She knows when they have large projects, they hire outside staff and thought it could be justified. Mr. Wolinski has never had a developer say they would not build here due to building permit fees. The impact fees Evanston does not charge probably make it more competitive.

Alderman Rainey moved to increase the building permit fee to \$15 per \$1,000 for projects valued more than \$1 million. Seconded by Alderman Tisdahl.

First Assistant Corporation Counsel Herb Hill said if costs to the building permit fee are disproportionate due to outside experts coming in there may well be a basis for that distinction. He could not say categorically that it was foolproof. They have to examine costs related to the various kinds of inspections; needed facts and for the Building Division to break down the costs. If they can show a differential cost, a substantial relationship of construction above \$1 million, they would have a basis for the higher fee.

Mr. Hill noted an impact fee is more narrowly focused and is based on what the impact of a particular development is on infrastructure. Examples would be water/sewer, parking, trucks and traffic impact related to a particular project. When they talk about construction costs, the City's cost results from inspections and to see that the building meets standards. He suggested that more analysis was needed. Alderman Bernstein asked what impact fees are based upon? Mr. Hill said it is the direct increase in the need for City services caused by the project.

Ms. Carroll said they needed to develop a systematic methodology on impact fees that makes it attributable solely to the capital structure it affects. Capital costs would be spread across the project related to that infrastructure. They had discussed what routinely adds to operating costs. Mr. Wolinski said the \$176 million was based upon large projects of more than \$1 million. Alderman Tisdahl was happy to vote for a 1.5% building permit fee for those projects. Alderman Wynne confirmed this was subject to legal analysis. Alderman Wollin confirmed this change would affect residences.

Roll call. Voting aye –Tisdahl, Rainey, Hansen, Wollin, Jean-Baptiste, Wynne, Bernstein, Holmes. Voting nay – Moran. Motion carried (8-1).

In response to Alderman Bernstein, Mr. Wolinski explained that the \$176 million in construction includes only one project in for permits, which is the Three Crowns Park addition, valued at \$26 million. They would not pay \$15 per \$1,000 of construction.

Alderman Rainey looked at the Real Estate Transfer Tax account and noted more exempt transactions. Several years ago Council imposed a \$20 fee on those transactions. She projected the total exempt fees would be \$13,800 at \$20 by the end of the fiscal year. She wanted the exemption fee to be increased from \$20 to \$100 per transaction, which would have generated an additional \$55,200 this year.

Ms. Carroll recalled a change in the law several years ago about real estate transfer taxes, which required that a fee change be approved by referendum. Could they change only the tax exempt fee legislatively or do they have to go to a referendum to make any changes? Mr. Hill did not have an answer. Clearly it was not changing the transfer fee, but changing the exempt fee based on the cost of handling, which has increased from the time the \$20 fee was established. What are the increased costs for handling the exemption? That will be researched. In response to Mayor Morton, Alderman Bernstein explained that exemptions are transfers of ownership pursuant to a court order where no money changes hands. Sometimes people put property into a land trust or transfer through a Quit Claim deed. Transactions are mostly familial and court generated. Alderman Rainey moved to amend the fee for exempt transfers on the Real Estate

Transfer Tax from \$20 to \$100.00. Seconded by Alderman Jean-Baptiste.

Roll call. Voting aye –Tisdahl, Rainey, Hansen, Wollin, Jean-Baptiste, Wynne, Holmes. Voting nay – Moran, Bernstein.
Motion carried (7-2).

Alderman Holmes recalled at the Human Services Committee meeting a discussion about dangerous dogs and noted that animal licenses are only \$10. Mr. Stafford said pet licenses are on budget book page 67; they brought in \$41,324 and were budgeted at \$40,000. Alderman Holmes suggested they raise fees from \$10. Mr. Stafford said that also includes the dog beach licenses. They will include comparables and report back.

Food & Beverage Tax Discussion

Alderman Rainey said when Council discussed the food/beverage tax, there was confusion about it being applied to the entire bill. She asked if there was an equal protection issue and why could they not apply that to the non-alcoholic portion. Ms. Carroll said an analysis was done of revenues if assessed on food only. Equal protection issues were not addressed in budget memo #35. Mr. Hill clarified that Alderman Rainey was asking for a tax on food and beverages, not including alcoholic beverages, because liquor is already taxed at 6%. The issue is uniformity of taxation based upon classification, not equal protection and he believed it could be done. Currently, there is a tax on poured alcohol, but not on other beverages. Could they do a tax on food/beverages in a separate manner because there is already a tax on alcohol and the answer is, if it consistent with uniformity, he thought they could. What would the rate be? The tax on the beverage in the food/beverage component in her proposal would be taxed at 6% the same way as the alcohol. Alderman Rainey recalled that alcohol is taxed differently than anything else. Mr. Hill said it is the City's most regulated industry. Mr. Hill stated Chicago attempted to put a tax on poured liquor but not on packaged liquor and there was trouble due to uniformity. Mr. Hill believed that a food/beverage tax could be imposed, excluding alcohol because it is already taxed.

Alderman Rainey said that despite cries from places she patronizes that a food/beverage tax would kill the food industry here, her argument has been when she hears colleagues and restaurateurs say they cannot do that to such a fragile industry, the alternative is to raise property taxes. She believes they have fragile property taxpayers who deserve as much consideration as the development community, restaurant community, wine and beverage community, etc. People who live here patronize restaurants. If they raise the property tax, it is also paid by the restaurant community and, to pay that, they will have to raise the cost of food or dig into their pockets. A 2% food/beverage tax would be paid by the consumer. A \$20 bill with a 40¢ tax won't stop people from going to restaurants here. She believed they need a long running reliable source of revenue. A food/beverage tax has been discussed for at least eight years. The time has come when the restaurant and hospitality industry is mature enough that a food/beverage tax could be imposed without doing great harm. Restaurants go out of business due to bad food, poor service or a dirty place. Or maybe they only sell cereal. She suggested they put on a 2% food/beverage tax and reduce the alcoholic tax by 4%. She thought that would help the more prestigious restaurants and put taxes on Starbuck's and other places that are not taxed now except for sales tax. Her proposal would generate \$1 million. Alderman Rainey said the 2% food/beverage and 2% on poured liquor resolves the unequal taxation issue. Mr. Hill disagreed and noted they would have a 6% packaged liquor tax, a 2% poured liquor and a 2% food/beverage tax, the total tax on poured alcohol would be 4% and total tax on packaged liquor would be 6%, which could highlight a uniformity problem. They would be taxing alcoholic beverages at two different rates. An argument that he could make that would not be 100% successful would be that uniformity applies within the tax and each tax is uniform unto itself and they need not worry about uniformity on different taxes. There is no case supporting it either way. So there is an issue of uniformity. There is no issue if the packaged liquor tax was the same amount.

Citizen Comment:

Daniel Kelch, owner of Lulu's, 804 Davis St., said the restaurant owners met ahead of time and agreed to not bring 25 people to talk and made an effort to give Council a comprehensive overview. He hoped the Mayor would allow them to speak a little beyond three minutes, if needed. He read about the food/beverage tax, which came at the last minute, in the newspapers. The rhetoric was about how well the restaurant business is doing with information that showed revenues had grown so much over the years. He said there is a subtle insinuation that since these revenues have been growing so strongly, individuals in the industry are raking it in. Showing increases in revenue is not relevant and has no relationship to profitability and expenditure growth. Since he moved several years ago and made a large investment, his occupancy cost has tripled. Even though they show revenue growth, that is not an accurate reflection of any business in the industry.

It was insinuating that this industry is bagging the bucks. The second issue was equality and fairness. He brought the City's mission statement recently drawn up. The words "responsive municipal service" and "delivering services equitably" were relevant to this discussion. They wanted to cut the Mental Health Board budget, the community said "no" and Council responded to that. He thought the equitable part is also the burden placed upon a community as to how they will fund what the community wants. He believed that nobody wants property tax increases but property taxes are the equitable way to do that. Commercial tenants pay any real estate tax increase and pay double the rate paid by homeowners. He has several employees who own condominiums here. One employee has a tax bill under \$2,000 and the other under \$3,000 and they are looking at annual increases of \$24 and \$36 a year. If a food/beverage tax is imposed on his business, he will have to generate at the lowest level \$32,000 more in sales a year. That is \$2,666 a month. He did not think that was an equitable way to treat people. The idea that this is just a pass through and has no effect upon them was erroneous. This tax affects pricing, competitiveness, their customers and has a material effect upon them.

Scott Anderson, marketing director for the Clean Plate Club (Pete Miller's, Davis Street Fish Market and Merle's Barbeque), employs almost 300 people and many live here. They feel a deep responsibility to their employees and families. Solid sales give these employees a decent living. The Clean Plate Club spends a lot of money promoting these restaurants to people outside of Evanston and to residents, which raises awareness of Evanston. Many people experience Evanston for the first time by coming to a restaurant. They compete against Chicago and other suburban restaurants. To be competitive there needs to be an incentive to travel out of ones area and come to Evanston. Raising taxes on a meal and beverage lessens that incentive. He suggested they look at the long-term effect of raising taxes, which means a drop off in restaurant sales. If they want to raise revenue, help them bring people to Evanston. If they can help increase sales, that will increase revenues to the City. People need a reason to come to Evanston, not a reason to avoid it. There is a restaurant in Chicago that only serves cereal called Just Cereal.

Joel Fondell, managing partner at LePeep, 827 Church St., stated that 85% of their customers are Evanston residents. He opposed the food/beverage tax because it would affect residents mainly, not outsiders; commended the City on changing the face of Evanston to make it more inviting to residents, visitors, students and a more diverse array of businesses. He remembered 10 years ago there were 14 vacancies on his block alone and there is only one vacant storefront currently. He remembered when the streets were virtually empty and one could easily find a parking space. The second reason for not enacting this tax is that the Benson Avenue garage is not finished. His loyal clientele is willing to circle the block several times to find a parking space but others may not. He looked forward to the day the garage is open and parking is not an issue for customers. Until then it would be a shame to throw out all their efforts and wait to fill gaps with tax increases that will chase people away permanently until a natural influx of business happens. He would hate to see the fruits of their labors wither before given a chance.

Patrick Breslin, an owner of the Celtic Knot, 626 Church St., has lived here three years and before that in Rogers Park for 13 years. He addressed the reactions of people who live in Rogers Park that he knows; said people like to come to Evanston to eat because there are many great restaurants and all have told him that it is more expensive to eat here than in Chicago. He said many people come to experience the new lively Evanston but are deterred from eating here due to prices. If they put on more taxes fewer people will come. That is his real life experience.

Barbara Klein, director of sales/marketing of the Hilton Garden Inn, 1818 Maple Ave., represented her hotel and similar venues relative to banqueting. Taxes are a huge consideration in choosing a banquet facility. When a prospective bride and groom select a facility, they look at ambiance, room capacity, food quality and presentation, and price. They narrow their choices to a geographical area and, all things being considered, price becomes the deciding factor. Couples typically have a budget and carefully weigh the add-on fees, which are service and taxes. Since most North Shore facilities have a similar service charge, the tax amounts can make the difference in winning or losing business. For a typical \$15,000 wedding at Evanston's current tax rate their wedding packages are already \$300 more than a comparable facility in Skokie and \$375 more than in Northbrook or Glenview. With the proposed 2% food/beverage tax, their hotel's package would be \$500 more than a comparable facility in Skokie and \$575 more than in Northbrook or Glenview. This is a significant financial variance and could easily be a deciding factor in whether this business stays in Evanston or goes elsewhere. If they let business leave Evanston, they not only lose the banquet revenue but also lose ancillary revenue associated with guest rooms for out of town guests and other revenue guests would spend in local restaurants, shops and entertainment venues. As director of sales her job, is to put "heads in beds" and "derrières in chairs." To do this, she

needed Council's help and to remain competitive, in an already very competitive market, needs all to be on her team. Every Evanston hotel and banquet facility will be impacted gravely by a food tax with loss of revenue for the City.

Dave Glatt, Dave's Italian Kitchen, 1635 Chicago Ave., did not dispute the need for more revenue; recognized Evanston does many great things that cost money. Property taxes are high and it would be wonderful to ease that burden. He strongly opposed a tax on food/beverages because the tax is unfair and unwise. Restaurants and hotels have always paid their fair share; pay property taxes at the same rate as other business do at twice the rate of homeowners. Those with liquor licenses pay an additional 6% on beer, wine and other alcoholic beverages. Perhaps there is a notion that they generate glamorous profits and deserve to be taxed more. This was false. This is a time of increasing competition and scandalously higher energy costs. He struggled to meet his natural gas bill. Perhaps there is also the notion that food from restaurants is a luxury. Also false. One reason there are so many restaurants in Evanston is that since the 1970s many working couples and single parents don't have time to cook. They recognize that restaurants can do it better and more economically. Adding 2% will cost them whatever they might save in property taxes and really how much would anybody's property tax burden be lightened? Given how great Evanston's revenue needs are, the money from taxing food would make little difference. Was it worth damaging one of Evanston's great assets – restaurants. Taxing food would damage restaurants. Where this tax has been instituted is in areas with lower property taxes, better parking and tourist attractions. Adding this highly visible tax would send negative messages. It takes so much to build a restaurant's reputation and so little to destroy it. If sales declined due to this tax, the eventual result could be to lower the sales tax revenue they already contribute. For those who want to impose this discriminatory tax, what they want to do to restaurants and, ultimately to the City, was neither fair nor wise. He believed the Council was fair and wise and asked them not to impose this tax.

Eric Singer, Lucky Platter restaurant, 514 Main St., said one of the things that separated Evanston from many other communities is the many independently owned restaurants. Skokie, Glenview and Winnetka don't have them. He has been in business 15 years and said they could use some support from the Council. He knows that Council members are happy to have all the restaurants here, an independent, eclectic mix that brings people here from Skokie, Glenview and Chicago. If they want people to come here, they must not give mixed signals. If they want people to enjoy Evanston then don't put on an extra tax that says "don't enjoy our town." Last year the food/beverage tax proposed was 1% and restaurants/hotels felt that it was a discriminatory tax. A lot of commerce is done here. There are attorneys, barber shops, and it felt like they get picked on because they are in the public eye. So they come to them, restaurants for a tax. They said last year (for the newly elected aldermen) was to figure a way to spread it out. The Home Rule Sales Tax is already capped out. It was not fair to come to restaurants over and over. Other people provide services and it should be shared if taxes must be raised. He knows that many increases have to do with pensions and health care costs and that the pensions are stated mandated. If he thought he could raise prices 10% at the Lucky Platter and offer health care he would do that, but they are trying to stay in a competitive market. He wanted them to know that many restaurants are family restaurants. He is all for pensions and health care benefits, but be aware his employees don't get health insurance. He asked them to keep that in mind. The restaurants want to encourage more business to come to town and build on this great restaurant base they have and figure ways to bring more night-time business, live theater, and make it a place people want to visit. He has come here for at least 12 years and remembered when the City had \$3 million deficits. He was not saying that they don't have to look for long-term revenue, because they do. This is a smaller deficit to make up. They are talking about 6.9% of the City's portion (of property tax). He and his wife live here and both own businesses here and contribute to the tax base. He urged them to be careful about this because Evanston is our town. He has volunteered to bring new businesses to south Evanston. They need to trust themselves and build on what Evanston has.

Jonathan Perman, executive director of the Chamber of Commerce, said a difficulty about this issue is that until that evening they did not have a formal proposal to respond to. It was challenging to come up with an analysis. He passed out an informational handout. He noted for many years, the general budget policy for permits, fees and taxes was to be in the mid-range when compared to other municipalities. The food/beverage tax proposed by Alderman Rainey would violate that principal and would bring Evanston's total tax to 10.75%, higher than Chicago's, which is at 9.25% and make Evanston's restaurant tax the highest (along with Schaumburg and Hoffman Estates) of the 32 municipalities they looked at. They did not just look at municipalities that have food/beverage tax but looked particularly at municipalities within Evanston's comparative set. On the last page they show eight nearby communities that the restaurants here compete with, and those restaurants continue to have lower overall taxes than does Evanston with combined sales and food taxes. The

other issue raised is how a food/beverage tax squares with a property tax and whether it is a trade-off. They ran numbers on \$8,000 and \$6,000 tax bills. Using the 2% food/beverage tax under Alderman Rainey's proposal, which would raise about \$1 million, and that \$1 million would lower an \$8,000 tax bill by about \$48 and a \$6,000 bill by \$36. He said that a family with an \$8,000 tax bill could spend about \$3,600 a year in Evanston restaurants. With 40% of the people living and working in Evanston, there are an unusually high proportion of people who eat lunch, dinners and even breakfast in the community. That taxpayer would pay \$72 for the food/beverage tax. The \$6,000 tax bill payer could spend about \$2,400 in restaurants and \$48 in food/beverage tax. The point is they would end up paying more in the restaurant tax than in the savings on their property taxes. The City giveth and the City taketh away.

Alderman Rainey commented that the City supports the Chamber of Commerce and the North Shore Convention & Visitors Bureau with lots of money annually in addition to making the town what it is today. The man from LePeep laid it out like it is and was. They have extended liquor licenses to 3:00 a.m. and other things for the community. Jonathan Perman does not live here; the city manager does not pay property taxes and several staff members don't either. While the property tax increase might only be going up the cost of a large pizza a month for a homeowner with an \$8,000 tax bill, there have been large tax assessment increases here. While some had taxes reduced, many who cannot afford it have had huge tax increases because of the market that has caused \$1,000 or more in tax increases. She said to Evanston taxpayers, "if you had any idea of how powerful you are and how powerless you have made yourselves by not coming here and talking to your aldermen, you can see what the restaurant industry can do." Five or six people came and simply told Council they didn't want a tax. If 25 or 30 people came to Council they would not be passing a 4-5% tax increase. She told people to start mobilizing for next year, because she predicted they would be presented with an 8% property tax increase. While she did not believe more than half of what the restaurant industry said, if they were paying less property taxes, more people would patronize Evanston's restaurants. She recalled being told in 1983 it was only a \$40 increase, not a big deal. Start adding up the \$40 with every taxing body and they are talking about thousands of dollars over time. A \$40 meal with a 2% food/beverage tax that is only 40¢ is more palatable than a \$2,000 tax increase over five years. Alderman Rainey asked for the impact on bars in the community when they vote to support no smoking in bars/restaurants and how that will impact tax revenue.

Alderman Bernstein reported the Human Services Committee voted unanimously to support legislation in Springfield to make the State of Illinois smoke-free. The committee will deal with the Clean Air Act at its March meeting. If Council concurs with the committee, a resolution will be sent to the state asking to make the state smoke-free. He favored that approach; said they have done everything to help the restaurants. In response to what the City has done, restaurants have filled stores downtown. There has to be a balance between sales tax revenue and property taxes. He hoped Illinois would go smoke-free because then they would not have to worry about lost revenue because there are no alternatives.

Alderman Rainey asked for a response from the restaurant/hotel industry on the impact of increasing property taxes on their businesses.

Mayor Morton asked why just \$25,000 was projected for prior year's taxes. Mr. Stafford said they have had diminishing returns due to tax protests. These protests are taken out of prior and current year taxes, so the City is not getting as much. Mayor Morton noted in 2004-05, \$145,000 was received. He pointed out the \$145,000 in prior year taxes was a negative and that was why it was reduced in the 2006-07 budget. She said the same applies to the Home Rule Sales Tax, which is projected at less than received in 2004-05. Mr. Stafford explained they have not received prior year taxes as of the 10-month report. He said they were slightly ahead on the Home Rule Tax as of December with \$4.4 million in versus \$4.3 million same time last year. Mr. Stafford said there would not be much change and the sales taxes would be about the same as last year. She asked about the state income tax projection. Mr. Stafford explained that is based on per capita numbers that they receive from the Illinois Municipal League.

Alderman Jean-Baptiste clarified if revenues come in at a higher rate than projected they would change the levy. He had proposed adopting a policy that they don't levy as high if they have greater revenue and for some reason that has been rejected. Mr. Stafford assumed if revenue was higher there would be more expenditures or other adjustments. The City gets the property taxes for the past year's budget. If there are changes, Council can always amend the budget.

Alderman Wynne made a reference to the Rules Committee that they re-constitute the Budget Policy Committee. Seconded by Alderman Holmes. She thought they had generated many ideas that need further study and moved that they approve the worksheet on the board with a 3.16% City tax increase of 0.062% tax bill increase so staff can prepare appropriate materials. Seconded by Alderman Bernstein.

Alderman Rainey recommended another look at building permit revenue. She asked for an up-to-date revenue estimate on the natural gas home rule tax. Mr. Stafford said they can do that only for this year. She asked if there was any money left in snow removal overtime and an estimate of leftover revenue for Monday night's meeting. Mr. Stafford confirmed that is a net figure from revenue/expenditures.

Mayor Morton asked about a \$2,800 grant. It is a dental sealant grant and budgeted at \$2,800. She asked why housing code violations have no projections? Mr. Wolinski said that housing code violations pertain to any revenue the City gets from the Cook County Circuit Court process. They get \$30-40,000 on housing code violations, which were included in the Administrative Adjudication budget. Mayor Morton asked about birth/death permits and was that service offered? Yes. Mr. Casey said that line item was changed. Birth and death certificates are \$85,000 and \$47,000. Mr. Stafford said because they phased in some new accounts they need to have some actuals in there. In some there is an actual and nothing budgeted for the last two years. Mayor Morton wanted a new way of tracking what is going on to make it easier for Council to understand. Health insurance was an example. Mr. Casey said health insurance is allocated by business unit and calculated on an average cost per employee.

Alderman Rainey asked why the revenue projection for Motor Fuel Tax was reduced? Mr. Stafford said that with the gasoline tax of 2¢ a gallon, due to increased gasoline prices, people bought less gasoline. The actual for 2004-05 was \$272,000. It was budgeted at \$310,000 and moved down to \$300,000. Mr. Stafford will provide an update with numbers. Receipts are a month or two behind.

Mayor Morton referred to page 66 budget book, other revenues of \$1 million. Mr. Stafford said that was a summary and those are broken down on pages 72-73.

There being no further business to come before the Council, Mayor Morton asked for a motion to adjourn and the Council so moved at 10:31 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.