

**Financial Sustainability Task Force
Draft Meeting Summary for July 10, 2013**

Attending:

Panel Members:			
Pierson Clair	✓	Ryan Mudie	
Scott Ramsey	✓	Christopher Tracy	
Tyler Shillito	✓	Toby Murray	✓
Eve Bowen	✓	Andrew Buelow	
Clayton Harris (Jenny Harris)	✓	Robertta Marsh	✓
Reggie Frederick	✓	Lyle Quasim	✓
Ken Kingsbury	✓	Allan Trinkwald	✓
Lois Bernstein	✓	Troy Goodman	✓
Jim Leonard		Gary Gilchrist	✓
Alice A Phillips			
Alternate Members:			
William King		Kit Evans	
Budd Wagner		Nick Leider (audience)	✓
Ruth Smith	✓	Bill Dickens	
Matt Frank		Emily Hall (audience)	✓
Terry Krause		Bruce Kendall	
Brian Haynes		Mary Byrne	
Staff and Others¹:			
Karen Reed (facilitator)	✓		
Andy Cherullo	✓		
Tadd Wille	✓		
Ebony Peebles	✓		

Welcome and Introductions. The meeting was called to order at 4:02 p.m.

Karen Reed, the facilitator, reviewed the ground rules and the mission statement that the Task Force agreed to at the first meeting.

Meeting Summary. The meeting summary from Meeting 1 was amended to correct the attendance, and as amended was approved.

Survey. Karen reviewed results of the survey of Task Force members. Eleven of 18 members completed the survey; some were out of town. Copies of survey results were circulated. The results showed that every one of the 27 items in the survey was rated, on average, of greater than average value to the members of the Task Force.

Charter Review. Karen asked for any changes in the Charter.

¹ Only those individuals sitting at the head table or giving presentations to the Task Force are included on this list. A number of other staff attended the meeting.

Allan Trinkwald asked that Item 1 B.3 be amended to include the concept of promoting the City's competitiveness; the motion was seconded and approved.

Lyle Quasim requested clarification for the report due date. The group agreed that December 3, 2013 should be noted as the date by which the Panel will submit its final report (Section 1.C of the Charter).

Lois Bernstein asked whether the August 7 meeting date would be changed? It appears most Task Force members can make the August 7 meeting, so it was agreed that the Charter's list of meeting dates should state August 7 rather than August 14. (Section 5.A).

There being no further amendments, the Charter was unanimously approved as amended.

Chair & Vice-Chair Election. Chair and Vice-Chair Discussion: Karen suggested a process for conducting the election, to which the group agreed.

Lyle was nominated as Chair, and seconded. Voice vote was taken and Lyle was elected Chair unanimously.

Tyler Shillito was nominated for Vice-Chair; this was seconded, a voice vote taken and Tyler was elected unanimously.

Review of Questions for Meeting 1. Karen reviewed the list of questions from the last meeting. Staff is working on responses to all of them (some will be included in presentations in the next few meetings, some were answered in discussion at this meeting and some need further clarification as to the relevance to the work of the Task Force). A copy of the list will be provided in the meeting packets at future meetings.

In response to a question raised by the group at Meeting 1, Tadd shared an article on the pros/cons of an annual vs. biennial budgets. He noted that the major advantage of biennial budgets is that they save time, allowing staff to focus on policy issues in the off-years. Lyle expressed similar sentiments.

City Expenses Overview Presentation. Tadd, Andy and Ebony presented the City Expense Overview presentation. Tadd began the expense overview presentation with a review of topics from Meeting 1. Ebony Peebles provided information on the City's recent 2011-12 and 2013-14 one-time, non-sustainable adjustments. Andy and Ebony provided more specific information on expenditures and on the cost drivers that push expenditure growth above revenue growth (salaries, health care, pension, debt service, deferred maintenance and other funds supported by the General Fund).

Questions Posed by Task Force Members:

Q: How much does the City have in General Fund reserves?

A: About \$23.5 million which represents approximately 12% of the year's General Fund operating expenses. Staff will be recommending the City increase the reserve range to be between 10-20% and that the reserve level be targeted at 15%.

Q: Provide more detail on how slides 13 and 14—contents of the blocks for closing the budget gap.

A: Ebony will provide her more detailed notes.

Andy noted that there has been an on-going analysis and discussion of several options consider but not taken during past budget deliberations. One of those ideas was raising the Gross Earnings Tax to support funding for transportation projects. The discussion was started last year during budget deliberations, has continued and may be moving forward in the near future.

Q: What accounted for the rise in expenditures in the 2003-2008 period?

A: Prior to the recession in 2008, revenues exceeded expenditures, and as revenues grew, so did expenditures. After 2008, revenues fell immediately; however, expense reductions lagged. Generally, it takes more time to reduce expenses and typically reserves are used until reductions are made. No one predicted the recession would be as deep or as long as it has turned out to be.

Q: How much of the reserves were used to offset revenue loss after the recession hit?

A: Approximately \$32million.

Q: Has the City's population changed since the recession?

A: It dropped slightly at the start of the recession, but has since recovered to about the same level prior to the recession.

Q: Can you provide TPU financials?

A: Yes, and they are available on the web (link to be provided).

Q: Why can't utility monies be accessed to address the General Fund challenges?

A: State law and governmental fund accounting rules strictly limit how rates collected from ratepayers can be applied. The monies paid by ratepayers must be used solely to support the services they receive related to the specific utility for which they are paying the rate. Monies collected via rates charged to rate payers cannot be put into the General Fund and used for general governmental purposes.

Q: What were the expenditures in the police department in 2007-08?

A: See binder materials and the 2013-2014 budget also has historic spending for all departments (link to the on-line budget document will be provided).

Q: Is the Task Force allowed to comment on how financial information is presented? It seems confusing that police and fire pension costs are presented completely separately from police and fire other costs.

A: Suggesting ways that the City can improve transparency is certainly within the Task Force's purview.

Q: Are there state or other associations that do comparative benchmarking for Cities so that we could compare each General Fund program?

A: It is often difficult to find fully comparable cities, so often comparisons are made on a service by service basis; for example, it is relatively straightforward to benchmark police and fire expenditures. Tacoma participates in a benchmarking effort led by the International City Managers Association (ICMA) See also the “Tacoma 24/7” report in the binders at Tab 4 for how expenditures have changed and how the City is benchmarked against other cities.

Comment: Finding innovative best practices may be another approach to finding efficiencies and focusing on best practices may be a good alternative to strictly focusing on cost comparisons and benchmarking.

Comment: May want to create a subgroup of the Task Force that can work with city and chamber of commerce staff on some of these comparable data points—perhaps developing a list of the most important comparables to track down within the full range of possibilities.

Q: Can you break out the cost associated with EMS response versus fire suppression?

A: We will work with the Fire Department to see if these costs can be split out.

Q: How much revenue do you estimate is generated by the efforts of the Economic Development group at the City?

A: It is difficult to track revenues by specific development. In part, sales tax revenue growth may be a proxy for their success.

Q: Is it unusual to have such a high percentage of represented employees?

A: It is not unusual in this state. Lyle noted that contracts are not easily changed once they are negotiated.

Q: How have health benefits changed over time?

A: The basic health benefit package offered to employees has not changed much from 2005-2012, so changes in the health benefit package are not a factor in the increasing costs. The rise in health care inflation is one of the driving factors behind increasing cost of health benefits. The relative richness of the health package offered by the City and utilization of health services by employees is are other drivers of costs.

Q: How much control do you have over health care benefits and their cost?

A: Any changes in health care benefits for represented employees must be negotiated. The average growth for benefit cost has been 8% per year and the City can't do much to control health inflation. There are things the City can do to drive the costs of health care lower through providing better incentives within the health package offered employees.

Comment: City should start now to get on a path where it can avoid having to pay the “Cadillac tax penalty” under the new federal health care law that will hit in 2018 if nothing is done.

Comment: Group should explore ways to reduce the city's health care costs.

Comment: Seems important to explore ways to limit the growth of pension costs of current and new employees. (The state has recently acted to limit payments to current retirees in some way).

At 6:00 p.m. the question was asked if we should continue for an additional 10 minutes to complete the presentation. All agreed.

Q: Can you provide information on the interest rates on the various debt issues currently outstanding?

A: Yes.

Karen confirmed with Task Force members that all their data requests and Parking Lot items were included in her flip chart lists. No additions were offered.

The next meeting will focus on revenues and some responses to data requests should also be available.

The meeting was adjourned at 6:13.