

**Financial Sustainability Task Force
Draft Meeting Summary for July 24, 2013**

Attending:

Panel Members:			
Pierson Clair	✓	Ryan Mudie	
Scott Ramsey		Christopher Tracy	✓
Tyler Shillito	✓	Toby Murray	✓
Eve Bowen	✓	Andrew Buelow	
Jenny Harris	✓	Robertta Marsh	✓
Reggie Frederick		Lyle Quasim	✓
Ken Kingsbury	✓	Allan Trinkwald	✓
Lois Bernstein	✓	Troy Goodman	
Jim Leonard	✓	Gary Gilchrist	✓
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)	✓	Danielle Larson	✓
Andy Cherullo	✓		
Tadd Wille	✓		
Ebony Peebles	✓		
Susan Ramirez	✓		

Welcome and Introductions. The meeting was called to order at 4:02 p.m. Task Force members, staff and others introduced themselves.

Review and Approval of Today's Agenda, Housekeeping Items. Karen reviewed the agenda and passed around a sign in sheet to see Task Force members could attend a meeting on August 21 in lieu of the August 28 meeting.

Meeting Summary. *The meeting summary from Meeting 2 was reviewed and approved as submitted.*

Review of List of Task Force Member Questions; Response to Questions asked at Meeting 2. Packet materials include the current running list of questions from Task Force members. Karen asked if anything is missing, let her know. Staff provided information in response to several questions, including:

Detail on cuts made to balance the budget in the last two biennia. Ebony Peebles presented a document she prepared on this item.

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.

Interest rates on outstanding City bonds. Andy reviewed a page showing pricing on a sample city bond issue. He reminded the group that the City has exceeded its non-voted debt capacity. A question was asked about whether or not a competitive process was used to issue bonds and Andy answered a competitive bidding process was used.

Details on 2003-2008 expenditures. Andy noted that staff reviewed these past budgets and did not see any major new expenditures or expansions of salaries or benefits out of line with the general trends that were discussed with the Task Force. 50 full-time equivalent employees (FTEs) were added during that period. Andy noted we have since returned to pre-2008 staffing levels. *A request was made for additional written detail on these expenditures; Andy will provide it at the next meeting.*

Can the cost of fire suppression be separated from the cost of Emergency Medical Services (EMS)? Andy has conferred with the fire chief, who indicated that the Department all Department staff are cross-trained in emergency response and fire suppression and that the Department responds with the closest vehicle, which may often be a fire truck rather than an aid car, so there is not a good way to separate out these costs. A question was asked whether EMS could be outsourced? Lyle asked that we include triage to a privatization discussion. These questions will be added to the “parking lot” list.

Can the City’s Community and Economic Development budget be correlated to new development revenues or activity? Andy reported the staff has looked into this and the answer is no.

Changes in the benefit package from 2006 to 2013. Andy reported that their review indicates no major changes in the health benefit package from 2006-2013, the driver of the costs increases has been the rise in health care inflation. *Additional information was requested on any changes in the health benefit package from 2003-2006; Andy will research and provide an answer at the next meeting.*

Recent Developments on 2% Gross Utility Tax (GET) and Dedicated Transportation

Funding. Andy provided the presentation that was given at the City Council meeting on July 23 on a proposal (approved by Council on July 23) to submit a proposition to the voters this November to increase the GET tax rate from 6% to 8% for power, phone and natural gas and dedicate for transportation purposes. The tax increase, if approved, is imposed on utilities. Utilities can choose to pass the tax to customers; if the tax is passed through to customers, it cost households an average of \$5/month. The money would be dedicated fully to street and transportation improvements and would not reduce the forecast General Fund deficit.

Roberta asked for more information regarding the delivery charges from TPU, not just energy charges, as well as information on programs to discount rates for low income customers. Lyle reminded everyone this still requires a vote of the people and we should have a contingency plan if this fails. Jenny mentioned that her husband was on a transportation related task force and he informed her that the City has \$800M in deferred road repairs. Bruce commented that timing of this proposition is poor because it impacts the Task Force’s mission. He wishes this information had been provided to the Task Force earlier and recommended that the Task Force send a

message to Council to hold off on any similar ideas until the Task Force can complete its work. Lyle noted that the Mayor had spoken with him about the potential concerns of the Task Force and that the Council needed to act now in order to get the measure on the November ballot. Roberta asked for information as to the type of case the City will be making for the proposition. *Lyle committed to conveying the Task Force comments to the Mayor. City staff have committed to providing updates on this issue to the Task Force as they become available.*

City Revenue Overview Presentation. Tadd, Andy, Susan Ramirez, Assistant Finance Director and Danielle Larson, Tax & License Division Manager presented the City Revenue Overview presentation. Lyle asked when the forecast deficit was estimated? Tadd said it was developed in May and June of 2013 and is based on the 2013-14 adopted budget. Tadd provides the City Council with quarterly updates on how revenues and expenditures are tracking. *Tadd will provide the upcoming quarterly update to the Task Force.* The City Manager and Council's Government Performance and Finance Committee also receive monthly updates.

Task Force members asked a number of questions:

Sales Tax

Q: Does the City review the impact of how the mental health sales tax monies are being applied – is there a review to see whether there has been a decrease in recidivism to individuals with chemical dependency and or mental health issues? Are there performance measures?

A: At the time the tax was added, such metrics were not in place; however, once the money began to be collected metrics were in place regarding the disbursement of the funds.

Q: Does money from the mental health sales tax go to the general fund?

A: No, it is dedicated money and goes into a separate, dedicated fund.

Q: Could the criminal justice sales tax be approved by the Council:

A: No, it requires voter approval.

Q: What are other cities collecting in sales tax in a 50 mile radius?

A: See materials in presentation.

Property Tax.

Q: When will we see return from the tax abatements given to developers?

A: Staff will work to get this information.

Q: 38.4% of the land in Tacoma is exempt from property tax: is this high or low as compared to other cities?

A: Several examples were provided; Tacoma is the highest of the 5 examples.

Q: Are hospitals are exempt from property tax?

A: Non-profit hospitals do not pay property tax on facilities where patient care occurs.

Gross Earnings and Utility Taxes (GET).

Q: What is the process for increasing the tax?

A: State law requires a vote to raise the GET above 6% for Power, Natural Gas and Telephone. This supersedes the City Charter which would allow the tax to be raised to 8% by Council action.

Q: Why did the state require a vote to increase this tax as opposed to taxes on other utilities?

A: Unknown. Staff will look to see if there is any legislative intent in the record.

Business and Occupation Tax (B & O Tax).

The City and the state both collect B&O Tax. The money collected by the state goes to the state and none is returned to the cities. Money collected by the City stays with the City. It was noted that in Pierce County, DuPont and Roy also have B&O taxes.

Q: Does the Port pay this tax, and if so, under what categories?

A: The Port is exempt from paying this tax because it is a governmental entity.

Karen recapped the remaining taxing authority available to the City within the categories of sales tax, property tax, GET and B & O taxes. A vote of the people is required to access any of the remaining authority, except for B & O Taxes which would be subject to voter referendum if increased.

Other Revenues

Q: Why are revenues separated out from the General Fund?

A: For transparency and if there is a regulatory or business need to separate out the revenues.

Q: Does the Port provide other support to the City?

A: Yes. Port staff attending cited financial contributions to recent road and bridge projects. The possibility of having the Port present at a further meeting was added to the parking lot list.

Karen recapped the questions. By agreement of the members, the meeting was extended five minutes.

Karen asked Task Force members whether all their data requests and Parking Lot items were included in her flip chart lists? No additions were offered.

The meeting was adjourned at 6:10.