

**Financial Sustainability Task Force
Meeting Summary for August 21, 2013**

Attending:

Panel Members:			
Pierson Clair		Ryan Mudie	
Scott Ramsey	✓	Christopher Tracy	✓
Tyler Shillito	✓	Toby Murray	✓
Eve Bowen	✓	Andrew Buelow	
Jenny Harris	✓	Robert 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	✓	Tyler Aitken	
Tadd Wille	✓		
Ebony Peebles	✓		
Susan Ramirez	✓		

Welcome and Introductions. The meeting was called to order at 4:04 p.m.

Karen Reed, the facilitator, reviewed the agenda.

Review and Approval of Today's Agenda, Housekeeping Items

Karen presented the meeting structure and agenda and presented the homework assignment. Team members were asked to complete the work and return it by September 3 to give Karen enough time to compile the responses prior to the next meeting.

Meeting Summary. The meeting summary from Meeting 4 was reviewed. Reggie noted that some questions from the meeting should be answered and Andy replied they were included in the meeting recap. *The minutes were approved.*

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.

Review of List of Task Force Member Questions; Response to Questions asked at Meeting 4.

Tadd noted there were five questions that were asked and these were answered in memo format and included in team member packets. Tadd also noted that citizen meetings will be held regarding the Gross Earnings Tax and he would share meeting dates and locations to the team.

Tadd noted he had neglected to send a link to the revenue information from other cities and he would send that to the team tomorrow morning.

Also included in the packet was a list of major assets the City owns and a summary of the projects that were funded through General obligation debt.

In response to a question about the value of city assets, staff noted that since government assets are not taxed, they are not routinely assessed, Staff have provided a copy of the City's Asset Disposition Policy and a list of some of the properties that are slated for potential sale, in priority tiers. Lyle noted that cities, counties and states in general do not maintain a list of assigned values for municipal properties. Bruce noted that each property takes time to determine the value and the one piece of property by UWT is out for RFP and we may have its value by Christmas.

Andy mentioned a complicating factor in valuing public properties is that some of the properties have debt associated with them and the actual amount of proceeds from a sale of the property would need to be reduced by the debt owed on the property.

Q: How does the City decide whether or not to issue debt and how prioritize projects?

A: While staff can't speak to historical decisions, generally some projects have related revenue streams that can be pledged to pay the debt, for example parking facilities. Other projects are generally just a function of general government and general revenues are used to pay the debt service (streets, parks, etc).

Q: How do municipalities determine the amount of debt they should issue? Does the City has clear and strict criteria and follow them.

A: The City does have a debt policy but it appears that it was not strictly adhered to in the past. The precipitous decline in property values also helped push the City over its debt limit. The City is currently reviewing its financial and debt policies.

Presentation and Discussion:

City Innovations and Performance Tracking:

Katie presented information on the City's recent efforts on performance measures and innovations. The main concept is to provide transparency and a method for citizens to hold the City accountable for policy and performance for services provided.

Q: How we could get more information on STAR?

A: The staff are just beginning work on this; Katy will provide more information.

Q: What is an example of callers who place a high demand on fire services?

A: Some citizens may call 911 multiple times in a day or week. Many of these calls could be handled through a medical check-in that could be provided by a case worker checking in on elderly citizens who may not have other resources to contact.

Q: What the estimated occupancy for the Convention Center when it was when originally planned versus now?

A: Staff will try to find answers.

Roberta noted that Yakima is a big competitor for conventions due to low prices. Katie noted that working with the Convention and Visitors Bureau has been helpful to the City.

Q: Are dollar values attached to the performance measures?

A: Not at this time.

Lyle noted that we should have target values and track savings from efficiencies and innovations.

Comments on Performance Measures Report:

- We should re-evaluate performance measurements targets for revenue operating assets to minimize the need to subsidize.

The City's efforts on performance measurement are commendable. This work is vital. Tadd will send links to the performance measures and budget measures tomorrow.

Presentation and Discussion:

Financial Situation Overview Wrap Up

Andy noted there are slides in the packet providing a review of the first four Task Force meetings. The City is currently projecting an estimated \$45 mil gap next biennium and \$73 for the following biennium. The City projects expenditures to rise quicker than our revenues which is what leads to our structural problem. Further, the City has limitations on actions that can be taken on both the revenue and expenditure side of the ledger

Review/Discussion/Possible Action: Proposal for Phasing Work Plan and Recommendations

Karen began her presentation on the next steps.

1. Is the 4-phase approach to Task Force work acceptable or should it be modified?

The Task Force agreed to the approach.

2. Is the framework for Task Force recommendations (short term savings and revenue adds; long-term savings and revenue adds) acceptable or should it be modified?

Allan asked whether the task of the group is just to cut the budget or is there a vision to where we want the City to be in the future? Karen noted that undertaking a visioning process would take more effort and time than the Task Force has but could be a recommendation in the Task Force report.

The Task Force agreed that the framework is acceptable.

Discussion: Phase II: Task Force consensus on a problem statement

Has the City made a case that there is a structural gap between revenues and expenditures?

Task Force members offered the following comments in response to the question:

- A private business could not be in business for 30 years operating like this.
- Staff has made a great case for a problem over the next two biennium.

The data speaks for itself – the numbers are accurate.

- I couldn't continue business in the state we are in, but the City deserves credit or taking steps to corrective action.
- The case has been made. It's framed correctly as a structural problem. The numbers seem quite probable and you have a difficult time not agreeing structural changes are needed.
- Staff deserve credit; staff may have ideas that haven't been shared and it would be helpful if they would share their ideas at a future meeting. .
- Brainstorming possible solutions would be helpful.
- We should not impugn the character of City leaders by suggesting that somehow private business cares more about doing a good job than government workers.
- Private business changes over time; tough decisions need to be made and sometimes change is good.
- There is a large budget gap and closing it is not going to be an easy task.
- I am skeptical that there is a structural gap. Projections and forecasts by the City may be overly conservative. Health care costs are not going to be as high as many have estimated.
- There is a gap, but the City has a good balance and diversity of revenue sources and isn't sold there is a structural problem in terms of imminent loss of a major revenue There is a bigger problem making decisions on spending.
- There is a clearly stated problem and is glad to see the performance measures added.
- The situation Tacoma is facing is not a unique, this problem is going around the country and in some cases other Cities are filing bankruptcy.

The problem is structural; I don't see a silver bullet coming in that will re-create the hay day of the past.

- Yes, there is a structural gap.
- I agree; as a citizen I am concerned about the future and don't want Tacoma to become another Detroit.

- I agree there is a gap; I share the same concerns for how this will impact neighborhoods, streets and safety.
- I also agree there is a problem and that we need a vision of where we want the City to be, what level of services are appropriate, and that it is a very difficult political structure – how will we fulfill the relationships.
- Citizens tend to rank public safety very high on the list of critical services – police and fire.
- The Cadillac plan for healthcare needs to be re-evaluated. The City must take action to avoid the tax penalty in 2018.
- Salaries of City workers also need to be looked at.
- We need benchmarking and good data points to make determinations.
- The City's pension plan should be reviewed and analyzed.
- We should work towards attracting businesses and residents to Tacoma.
- Is the City was bankrupt? Is that a question we should be considering?
- Can the City provide information on bankruptcy and what that would mean to the City?. Andy noted that municipal bankruptcy is a far more complicated and less clear-cut proposition for a City than that of a bankruptcy for private businesses. Tad noted that if the Task Force could provide some meaningful recurring savings or revenue recommendations that totaled \$15-\$20M, then the annual gap would fall to a manageable figure.

Karen asked if the group is comfortable setting aside the bankruptcy discussion and continuing to focus on reviewing other options besides bankruptcy? The Task Force agreed.

- Is there is a model somewhere – a town or city comparable to Tacoma that we could review?
- The City is looking at a gap of \$45m in 2015-2016 and \$72m in 2017-2018. I don't want police services cut– it will drive businesses away.
- I am surprised on the City's limitations of not being able to unilaterally raise revenues without seeking legislative approval.
- I needs to see that revenues are not growing as quickly as we have projected and if our projections are wrong, would that solve the problem?
- The council needs to remain nimble to respond to both better and worse times.

Andy and Tadd noted that it would be very helpful if the Task Force can identify on ideas that help the City do our job better and serve our citizenship better.

Discussion/Possible Action: Work Topics for the Task Force

1. List of Work Topics

Karen asked whether the Task Force wants to further explore best practices? Scott noted we don't have time to do this, rather it may be a recommendation for the City to review best practices. Allan noted that a salary study should be on total compensation.

Bruce noted that when you do benchmarking it is a good tool to make recommendations. Katie said the City will the International City Managers Association benchmarking information with the group; the City participates in that national benchmarking project. Karen asked if the Group wants to further explore issues of partnering with other governments. Chris noted that it may be helpful and worth exploring.

Kit noted that we need to have a long term vision to make the decisions.

A subgroup of Kit, Bruce, Allan, Lyle and Katie will be formed to review benchmarking.

2. Homework – Karen will send electronically as a word document to be returned by September 3. Task Force members need to provide short-term and long-term expenditure efficiencies and revenue enhancement ideas. The recommendations will be anonymous; names will not be identified with the recommendations. Karen will compile them and have them ready for discussion at the next meeting.

Karen recapped the questions posed by the group.

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 meeting was adjourned at 6:10.