

# Fiscal Sustainability Task Force

Report to City Council Government Performance and Finance Committee  
Lyle Quasim and Tyler Shillito  
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## Today's presentation

- ▶ Present to you the findings and key recommendations from the City's Fiscal Sustainability Task Force

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## The Task Force

- ▶ 18 members representing a diverse cross-section of the City
  - ▶ Residents
  - ▶ Business leaders
  - ▶ Union representatives
  - ▶ Non-profit agencies
- ▶ Members appointed by GPFC, Mayor, and community agencies
- ▶ Met 10 times, 2 times a month for 2 hours, starting mid-June
- ▶ Supported by City Staff team led by Finance Director, Budget Director and an independent facilitator
- ▶ Final Task Force report approved November 13, 2013

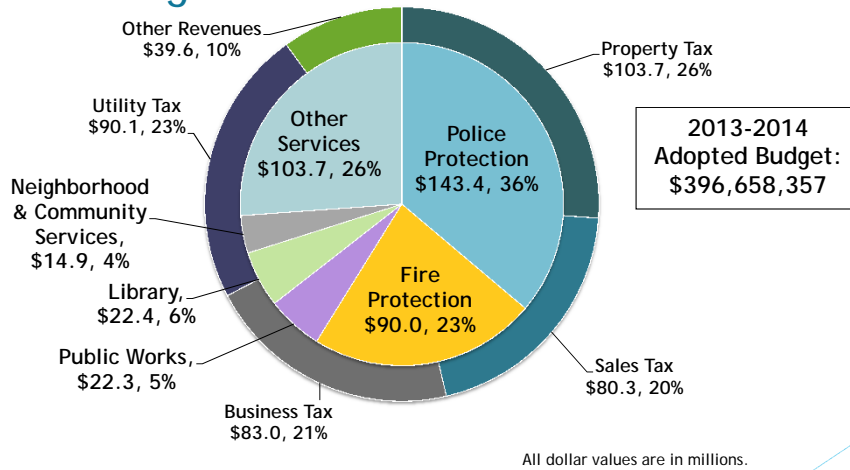
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## Our Mission

- ▶ Review and assess the City's General Fund revenues and expenditures
- ▶ Identify short term and long term proposals that could:
  - ▶ Enhance City revenues
  - ▶ Reduce City expenses, and
  - ▶ Otherwise promote the City's financial integrity, competitiveness, and service levels

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## Understanding the General Fund Challenge



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The current situation is not sustainable.

City Projected 2015-2018 Average Annual Growth Rates for General Fund Revenues, Expenditures (City Forecast—June 2013)	
Revenues	2.3%
Expenditures	6.3%

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The General Fund Deficit will get worse if additional steps are not taken to better align expenditures and revenues.

City of Tacoma General Fund Forecast (June 2013)		
Biennium	Current Service Deficit	Adjusted Deficit (restoring reserves, increasing maintenance, paying healthcare tax)
2015-16	\$26.3 million	\$45.2 million
2017-18	\$38.1 million	\$72.8 million

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## Task Force Findings

- ▶ There is a serious structural budget gap between General Fund revenues and expenditures.
  - ▶ It is not a temporary anomaly.
  - ▶ It is an immediate and long-term problem that threatens the fiscal sustainability of the City.
  - ▶ There is no silver bullet or quick fix.
- ▶ The City must reach fiscal sustainability, preserve its fiscal integrity, and be mindful of the issue of competitiveness as it develops City budgets.
- ▶ The City's expenditures are generally in line with its peer cities, but this could change if cost drivers are not addressed.

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## 28 Task Force Recommendations

- ▶ We rated 140 ideas generated by Task force members.
- ▶ 63 ideas received support from at least 60% of the members voting.
- ▶ These 63 ideas were consolidated into 28 recommendations:
  - ▶ General Observations and Policy Recommendations -- 6 recommendations
  - ▶ Efficiencies and Expenditure Reductions -- 14 recommendations
  - ▶ Revenues -- 8 recommendations

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## Two different types of recommendations identified in our report

- ▶ "Consensus" - supported by not less than 80% of the Task Force members voting.
- ▶ "*Additional Recommendations*" - supported by 60-79% of the Task Force members voting.

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## General Observations and Policy Recommendations

- ▶ Tacoma must remain a vital, livable community that attracts both businesses and residents. Closing the structural budget gap is fundamental to achieving this goal.
- ▶ Given that salaries and benefits constitute almost 70% of General Fund expenditures, the City must address these in order to close the fiscal gap.
- ▶ Undertake a long-term visioning process for the City.

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## Efficiencies and Expenditure Reductions

- ▶ Control and Reduce the Costs of Employee Salaries, Healthcare Benefits and Pension Benefits.
  - ▶ All contractual commitments to employees (union or otherwise) need to be re-examined and where necessary renegotiated to get the City on a sustainable path.
  - ▶ Re-examine policy of paying employees at 60<sup>th</sup> or 70<sup>th</sup> percentile of comparable public sector salaries: consider 50<sup>th</sup> percentile.
  - ▶ Review healthcare plans and benefits and take steps to reduce expenditures.
  - ▶ Act now to avoid the potential "Cadillac" healthcare tax.
- ▶ Seek efficiencies in Fire and Police operations.
  - ▶ Including benefits and pensions, these departments constitute 65% of General Fund expenditures

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## Revenues

- ▶ The City cannot work its way out of the General Fund structural budget gap through new revenues alone.
- ▶ Examine current tax exemptions and credits, and, where appropriate, reduce or close them in order to ensure equitable tax policy.
- ▶ Strengthen efforts to sell non-essential, un-used and surplus assets.
- ▶ Re-evaluate revenue generating targets for enterprise assets such as the Tacoma Dome and Convention Center to reduce need for General Fund subsidy.
- ▶ We support current efforts to sell naming rights for major City facilities.

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## The Task Force Requests to be Reconvened Next Year

- ▶ We respectfully request to be reconvened for at least two meetings in 2014, to understand how our recommendations are being implemented and what progress is being made to close the structural budget deficit:
  1. Meet with Mayor and City Manager prior to Council budget policy session.
  2. Meet with full Council early in the 2015-16 budget deliberations

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Thank you.

Questions?

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