

MEMORANDUM

DATE: September 19, 2023
TO: Finance and Governance Committee Members
FROM: Brian Murphy, Katherine Goetz
RE: Materials for discussion September 25, 2023

Attached, please find materials for discussion at the Finance and Governance Committee meeting on September 25. We are seeking input from the Committee on this draft content before presenting it to Council and then using it as the foundation for the Financial Sustainability Committee's work.

Material will be:

- Reviewed and revised with the Finance and Governance Committee on September 25.
- Presented to the full Council on October 2.
- Discussed at the first meeting of the Financial Sustainability Committee in October, date TBD.

This packet also contains a detailed project schedule which we can review. This material will not be shared in this format with Financial Sustainability Committee members.



City of Tukwila

Financial Sustainability Plan | *Process and Product Framing* **DEVELOPMENT DRAFT 9/19/23**

The following draft content is being developed for discussion at the first meeting of the Financial Sustainability Committee. Material will be:

- Reviewed and revised with the Finance and Governance Committee on September 25.
- Presented to the full Council on October 2.
- Discussed at the first meeting of the Financial Sustainability Committee in October, date TBD.

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Project Purpose and Committee Charge

The City of Tukwila is planning for a financially sustainable future that balances the cost of City programs, services, and infrastructure investments with equitable impacts to taxpayers and ratepayers. Key questions to be answered include:

- *How can the City best use its limited financial resources to meet the priorities of the community?*
- *How should the City's programs and services be calibrated with the community members' desires and willingness to pay?*
- *How can impacts to residents and businesses be most equitably balanced, including consideration of the range of household wealth and business size present in Tukwila?*

The City is implementing two interrelated planning processes to answer these questions and establish the City's long-range financial strategy.

A Financial Sustainability Plan will:

- Reflect the Tukwila community's needs, values, and priorities.
- Consider how programs and services may change as the community continues to grow and change.
- Provide short-term (2-5 years) and long-range (6-10 years) strategies to maintain the City's financial stability, guiding both operating and capital investments.

The Financial Sustainability Plan will be guided by a Financial Sustainability Committee and the Tukwila City Council. It will be developed in collaboration with City staff and supported by BERK Consulting.

A Utility Rate Study will:

- Help the City plan for financing major utility (water, sewer, and surface water) infrastructure projects.
- Include recommendations for rates that:
 - Align with customer usage.
 - Can be adjusted as the community grows.
 - Are equitable in their treatment of different customer types and their ability to pay.

This utility rate study will be supported by staff of FCS GROUP who will work in collaboration with City staff and in conjunction with the Financial Sustainability Committee and Tukwila City Council.

Financial Sustainability Committee Charge

Representatives of Tukwila's residential and business communities will provide guidance and feedback to the work of the consulting team as the Financial Sustainability Plan and Utility Rate Study are developed. The input of the Committee is intended to advise the consulting team and City Council; the Committee is not a decision-making body itself. Members of the Financial Sustainability Committee will:

- Review information about the City's financial condition and factors that will impact future revenues and expenditures.
- Review options for enhancing the City's financial sustainability.
- Prepare recommendations for the Mayor and City Council.

Direction from City Council: Process Guidance and Evaluative Criteria

[Introductory text will be similar to this: On October 9, 2023, the Tukwila City Council adopted the following guidance to inform the planning process and Financial Sustainability Committee’s evaluation of options. This guidance may be modified by a recommendation of the Financial Sustainability Committee if subsequently approved by Council.]

Process Guidance

The process for developing the Financial Sustainability Plan must be:

- **Inclusive.** The planning process must be conducted in a way that is fully inclusive of Committee member perspectives, providing members opportunities to voice their opinions in a way that is comfortable for them. In addition, it is critical that supporting analysis and strategy development fully considers the diverse range of residents and businesses that make up the Tukwila community.
- **Open, Accessible, and Fair.** Every effort must be made to eliminate barriers to participation in the planning process, making it easy for Committee members to contribute effectively. This may include consideration of financial and language barriers, as well as the provision of additional support between meetings to make sure all Committee members have a full grasp of analytic materials provided to them.
- **Tukwila-specific.** The Committee should be guided by Tukwila-specific values and context, including an understanding of community demographics, Tukwila’s particular revenue base, and the importance of City services to community members.
- **Analytically-based.** Committee thinking and recommendations should be informed by expert financial analysis provided by City staff and the consulting team.
- **Transparent.** Meeting materials should be shared with Financial Sustainability Committee members in advance of meetings. All meeting materials, including meeting summaries, should be posted on the City’s website for easy access by all members of the Tukwila community.

Evaluative Criteria

As the Committee develops its recommendations, options and strategies should be evaluated against at least the following criteria to ***ensure that final recommendations balance the City’s financial sustainability, the provision of City services that meet community expectations, and equity in costs and services.***

- **Equity.** Who will the strategy impact and how will that be different among different residential and business groups? Who would be helped and who would be harmed, and how does that correspond to historical and structural patterns?
- **Cost.** What is the cumulative impact of costs imposed by the City and other levels of government on these groups? How can impact be best aligned with ability to pay? How can impact be best aligned with benefit received, so there is a direct relationship between contribution and benefit?

- **Magnitude and Growth.** How meaningful will the impact of potential strategies be compared to the City’s overall budget? How will this magnitude change over time?
- **Stability.** Is the strategy firm and steady or is it volatile and subject to large fluctuations?
- **Sustainability.** Can the strategy continue into and be counted on in the future?
- **Alignment with Priorities.** How well does the strategy align with the community priorities? Can strategies adapt over time as community priorities change?
- **Feasibility.** Can the City practically implement the strategy, with a reasonable level of effort and within a reasonable period of time? How politically feasible is this strategy? What type of approval does it need?
- **Impact to Other Services.** If a strategy is implemented, how might it directly or indirectly impact the provision of other services?

City of Tukwila Equity Policy

Equity is defined in [Tukwila’s Equity Policy](#) (Resolution 1921, adopted by the Tukwila City Council in 2017) as “Eliminating systemic barriers and providing fair access to programs, services and opportunities to achieve social, civic and economic justice within the City of Tukwila.” The Resolution establishes six Policy Goals which are listed here. These are listed below, with supporting text provided for those Policy Goals that are particularly relevant to the Financial Sustainability planning process.

1. **Our City workforce reflects our community.**
2. **Community outreach and engagement is relevant, intentional, inclusive, consistent and ongoing.**
3. **All residents and visitors receive equitable delivery of City services.**
 The City will identify strategies that facilitate equitable access to current and future City services and facilities, regardless of race/ethnicity, language, ability, gender, age, family status, geography, and mode of transportation.
4. **City government is committed to equity in the decision-making process.**
 The City will identify strategies to facilitate equitable access to decision-making, where the decisions themselves -- and the process and context in which they are made -- are transparent. equity serves as a core value for all long-term plans moving forward.
5. **Equity serves as a core value for all long-term plans moving forward.**
 The City will apply its Equity Toolkit in its evaluation of outcomes and strategies.
6. **The City will build capacity around equity within City government and the broader community.**

Proposed Committee Agreements

The following proposed agreements will be reviewed and revised by the Committee during its first meeting.

Operating Guidelines

- A regular meeting time and schedule of dates for meetings will be communicated at the first meeting of the Committee.
- Meetings will start and end on time, with a strong preference for in-person participation.
- Meeting summaries will be prepared following each meeting, summarizing the issues discussed and the decisions reached. A list of members present will be included in the meeting summary.
- Email will be used for Committee coordination and to share agendas and materials in advance of meetings. Substantive issues will be discussed in the meetings rather than through e-mail dialogue.
- Committee members will direct any media inquiries to City staff.

Committee Member Responsibilities and Discussion Guidelines

Individual Committee members are expected to:

- Prioritize consistent meeting attendance, joining Committee meetings in-person whenever possible.
- Understand and be able to articulate the project purpose and the Committee's charge.
- Serve as a resource to other members of the community who want to learn more about this process.
- Prepare for Committee meetings by reviewing meeting content and providing any requested input in advance.
- Communicate questions, issues, and suggestions to the project management team, who will coordinate actions and responses.
- Be productive and creative contributors.
- Participate in conversations respectfully and productively by:
 - Committing to collaboration, teamwork, and compromise to seek consensus on recommendations.
 - Assuming good intentions and listening to understand, creating space for others to comfortably contribute their ideas.
 - Proactively sharing your insights and opinions.
 - Respecting and acknowledging both differences and similarities, recognizing the validity and value of different perspectives.
 - Allowing yourself and others to have changes of opinion.
 - Building on points of agreement and expecting that Committee members may disagree on some ideas.

Framework for Decision-Making

- Options will be assessed based on Evaluative Criteria established by the City Council and endorsed by the Committee.
- Our goal is unanimous consensus, meaning that:
 - All Committee members can support, or live with, the guidance to be shared with the City, with the objective of achieving unity if not complete unanimity.
 - Recommendations may be made by majority option, with the report describing the range of perspectives.
- Members may need to consult with their organizations or communities before making or endorsing recommendations.

Anticipated Meeting Process

The Financial Sustainability Committee will meet five to six times between October 2023 and March 2024. This document provides an overview of the content planned for each meeting. Detailed agendas, presentations, and background materials will be prepared in advance of each meeting.

Meeting 1. Kickoff and Context (October)

Welcome and introductions, review of kickoff materials, overview of Tukwila community profile, and overview of the City’s financial forecast.

At the end of this meeting, members will have a shared understanding of the Committee’s role, the goals of this project, and context for future discussion.

Meeting 2. City Programs and Services (November)

Brief presentations from City staff describing City programs and services, priorities, needs, and funding sources. Highlights from peer benchmarking research.

At the end of this meeting, members will understand the City’s service priorities and needs and may identify findings from peer benchmarking research that can be brought forward in the options discussion.

Meeting 3. City Programs and Services, continued (December)

Brief presentations from City staff describing City programs and services, priorities, needs, and funding. Highlights from the Utility Rate Study and how this work will impact the Financial Sustainability Plan.

At the end of this meeting, members will share their thoughts on service priorities that will prepare for future discussion on options.

Following this meeting, the consulting team will present an update on the Committee’s findings and discussion to City Council.

Meeting 4. Options Discussion (January)

Discussion of options to consider based on City values and the City’s profile, service priorities, and peer benchmarking information. The Committee will be presented with packages of options for discussion and will determine how they measure against evaluative criteria.

At the end of this meeting, members will share their initial preferences for options.

Following this meeting, the consulting team will present an update on the Committee’s findings and discussion to City Council.

[Between Meeting 4 and Meeting 5, the City could have opportunities for broader community engagement and/or additional business engagement, which would shift the timeline for Meeting 5 and conclusion of the work]

Meeting 5. Recommendations Discussion (February)

Discussion of recommendations based on preferred options.

At the end of this meeting, Committee members will agree on recommendations. Another meeting may be necessary to finalize recommendations.

Sustainability Plan Outline

The outline below has been developed as a general guide for the work of the Committee and consulting team. The final product may evolve from this starting point over the course of the planning process. The final Financial Sustainability Plan will provide directional recommendations for consideration by City Council. The Plan may include specific recommendations such as the implementation of particular revenue tools but will not be at the same level of detail as the City's budget.

Introduction and Background

- A description of the purpose of this project and what is the City trying to achieve.
- A summary of the current context in Tukwila that is impacting long-term financial sustainability, such as recent actions taken to increase revenue or reduce expenditures, citywide plans or initiatives, or trends that will impact the City's program and service delivery.

About the Financial Sustainability Committee

- The role of the Committee – how the Committee was formed, its charge, how many times it met, what materials it reviewed, and the meeting topics.

The City's Financial Condition

- An overview of the City's General Fund financial forecast and major revenue and expenditure drivers.
- An overview of programs and services the City provides.
- A description of short- and long-term financial challenges, which may include factors such as revenue limitations or unfunded needs.
- This section may include comparisons to peer cities where relevant, such as revenue mix, revenue tools used, and services provided.

Options

- A description of the packages of options considered by the Committee and the criteria used to evaluate options.

Recommendations and Next Steps

- A list of short- and long-term strategies for consideration by the City Council and their impact on the City's financial condition.
- How this plan will be used in the future, such as describing processes to revisit and revise strategies and this plan's alignment to the City's budget process.

Appendices

- Tukwila Community Profile and Peer benchmarking summary.

