

## **The Breakthrough Change Process**

On December 14, 2004, the City Council adopted a \$356 million General Fund budget for the 2005-2006 biennium after struggling through closing a \$29.6 million General Fund gap. The day after, City Manager Jim Walton announced a new fiscal initiative. The initiative aimed to change City policies, structures and practices in order to rein in the rapidly escalating cost of providing City services. The team-based project would provide first steps in realigning City expenditures with City revenues long-term, as well as some short-term relief.

That was the genesis of the City of Tacoma's "Breakthrough Change Initiative."

In late 2004, the City of Tacoma faced a gap between projected revenues and the expenses estimated to continue City services at the levels of the previous biennium. The basic problem: City expenses are growing much more rapidly than traditional City revenues, and that gap is only expected to widen over the coming years.

The problem, therefore, was both short- and long-term. The City had to address the more immediate problem of making the fiscal decisions necessary to allow for the continuation of services like Police Community Liaison Officers and the Proctor District Fire Station. In addition, there was the prospect of further large shortfalls in the succeeding two biennia. Without significant changes in the way the City of Tacoma was conducting its business, citizens would see inevitable and severe service reductions over the next few years. The City estimates that between 2003 and 2010, it will need to make approximately \$91 million in total adjustments – reductions or revenue increases – to rebalance its cost of providing municipal services with revenues.

The seed that became the Breakthrough Change Initiative came during the long and arduous budget development process. The City Manager asked his Executive Leadership Team to compile a list of those big dollar items that provided the best opportunity for efficiency and cost savings. From the large list of potential efficiencies developed by department directors and managers of programs – and with input directly from line staff to the City Manager at employee group meetings – four major focus areas for the first phase of study were identified:

- 1. Employee Compensation and Benefits**
- 2. Risk Management**
- 3. Organizational Restructuring/Consolidation**
- 4. Vehicles and Equipment**

In an endorsement of this rapidly-emerging idea the City Council seconded the City Manager's fiscal direction in policy by unanimously adopting Resolution 36398, "expressing strong support for the City Manager's 2005 priority breakthrough change initiatives to effect long-term changes in organizational operations, policies and structure by aligning General Fund expenditures with forecasted revenues and reducing General Fund expenses."

## **The Breakthrough Change Teams**

On January 4, 2005, the same day that the City Council adopted its resolution of strong support for the Breakthrough Change initiatives, the City Manager announced the formation of four Breakthrough Change teams. Team chairs and membership were identified, and the teams were directed to focus their efforts on structural issues and service areas that have the greatest potential to offer significant long-term, recurring savings and efficiencies to the City's General Fund expenditures starting in 2005. The principal goal was for the teams to seek initiatives that would allow the City to quickly achieve significant reductions in operating expenses while enhancing organizational performance.

### **Employee Compensation and Benefits Team**

**Goal:** *Develop policy for long-term compensation and benefit changes*

**Focus Areas:**

- Review City employee health benefits changes
- Review/establish "cost control" strategies/programs associated with health benefits
- Eliminate/phase out longevity pay
- Study options related to creating a TERS II retirement plan for new employees
- Review policies and practices associated with application of additional rates
- Review unrepresented employee compensation policy
- Establish standardized performance assessment system
- Review compensation policy for "subject matter experts" in the organization
- Review "best practices" for municipal organizations related to total compensation

**Team Chair:**

Steve Marcotte, Finance Director

**Team Members:**

Pat Pabst, Retirement (Co-Chair)  
Beth Brooks, Public Works  
Chief Eileen Lewis, Fire  
Rich McCrea, Police  
Donna Stenger, Tacoma Economic Development  
Carol Mathewson, General Services  
Yvonne Pettus, Municipal Court  
Vicki Sullivan, Municipal Court (retired)  
Jane Evancho, Tacoma Public Utilities  
Dana Toulson, Tacoma Public Utilities  
Bob Burton, Business Information Systems

**Resource Group:**

Cheryl Carlson, Legal  
Mary Morrison, Human Resources  
Cathy Parker, Legal  
Elizabeth Pauli, Legal  
Bev Losey, Brown and Brown

**Sub-Teams:**

**Compensation Sub-Team:** Steve Marcotte, Lead

**Benefits Sub-Team:** Beth Brooks, Lead

## Risk Management Team

**Goal:** *Reduce overall liability costs and workers' compensation claims and their average cost to improve risk management outcomes*

**Focus Areas:**

- Design a comprehensive, proactive risk management plan to control/reduce the City's liability costs
- Study risk management control options related to the City's regulatory compliance responsibilities

**Team Chair:**

Woodrow Jones, Jr., Human Resources Director

**Team Members:**

Karen Larkin, Public Works (Co-Chair)  
Mike Combs, Public Assembly Facilities  
Elizabeth Pauli, Legal  
Rick Brush, General Services  
Joe Delaney, Finance  
Tom Strickland, Police  
Jon Chaffey, Fire  
Ken Turner, Tacoma Public Utilities

**Resource Group:**

Debbie Dahlstrom, Human Resources  
Carol Wolfe, Tacoma Economic Development  
Dan DeLorenzo, Brown and Brown

## Vehicles and Equipment Team

**Goal:** *Improve the efficiency and cost-effectiveness of providing fleet maintenance services and purchase of City's equipment and vehicles*

**Focus Areas:**

- Explore alternative, cost-effective, ways to provide vehicle and equipment services
- Seek opportunities to contract with other agencies for vehicle and equipment maintenance services
- Review possibility of consolidating City fleet service garages
- Review allocation of internal costs of fleet maintenance and vehicle and equipment purchase services
- Review "best practices" for municipal organizations related to fleet operations

**Team Chair:**

Ryan Petty, Tacoma Economic Development Director

**Team Members:**

Sherri Crawford, Office of Management, Budget and Analysis (Co-Chair)  
Dave Otto, Business Information Systems  
Al Tebaldi, Public Works  
Catherine Mitchell, General Services  
Gary Steinhoff, Fire  
Jim Howatson, Police  
Linda Carlton, Business Information Systems

**Sub-Teams:**

**Resource Group:**

Steve Hennessey, General Services  
Bob Sheehan, Police  
Rich Stearns, Fire  
Frank Castro, Tacoma Public Utilities  
Steve Victor, Legal

**Fleet Utilization:** Sherri Crawford, Lead

**Fleet Maintenance:** Linda Carlton, Lead

**Procurement:** Catherine Mitchell, Lead

## **Organizational Restructuring and Consolidation Team**

**Goal:** *Design new City organizational structure (General Government)*

### **Focus Areas:**

- Eliminate unnecessary layers of management, reduce management positions as necessary
- Examine ways we assign responsibility for work, decision making, communications/information sharing, work processes, and cross-departmental collaborations towards eliminating “silos”
- Look for permanent program and services elimination options
- Review allocation of costs of internal services to departments
- Look for opportunities for service consolidation and other service delivery methodologies:
  - Review and determine the feasibility/advisability of combining electrical staff
  - Review Fire suppression/EMS staffing methodology for efficiencies and savings
  - Assess feasibility of consolidating business units’ Information Technology staff within BIS
- Review “best practices” for municipal organizations related to organizational structure and allocation of costs

### **Team Chair:**

Rod Kerslake, Hearing Examiner

### **Team Members:**

John Briehl, Human Rights & Human Services (Co-Chair)

Lilly Aguilar, Human Resources

Leslie Rowen, General Services

Mike Fitzgerald, Fire

Michelle Lewis-Hodges, Business Information Systems

Gwen Kopetzky, City Manager’s Office

Chief Donald Ramsdell, Police

Ron Rosi, Finance

Craig Sivley, Public Works

Susan Odenchantz, Library

### **Resource Group:**

Mary Morrison, Human Resources

Christine Veit, SMG/Columbia Consulting Group

Paul Lewis, Financial & Management Consulting

### **Sub-Teams:**

**Span of Control/Levels of Management:** Lilly Aguilar, Lead

**Functional Alignment:** John Briehl, Lead

**Breakthrough Change Initiative Structure**

**Complete 1-Page Chart Here**

## **The Work Begins**

In January 2005, the Breakthrough Change teams formed and began researching best practices of municipal governments, clarifying the scope, roles and responsibilities of their respective teams, and establishing savings targets for 2005-2006. Phase I of the project ran from January into early March.

The City Council received status updates on the progress of the teams at its February 8 and March 8 study sessions. As would be the case throughout the development process, the team reports were shared with citizens, employees and stakeholders.

Following the March 8 study session, the teams began Phase II of the project, in which they formulated options and broad recommendation focal areas, referred to as “opportunity statements” The teams also began analyzing the options and projected cost savings.

During this second phase of the work the City Manager identified specific savings targets for 2005-2006 for each team. The cost-saving targets for the current biennium totaled more than \$3.4 million. Interim cost-saving measures were also mandated by the City Manager in early March. These interim measures included requiring department directors to base all future pay step increases on documented satisfactory progress toward job performance goals and requiring a more thorough review of new vehicle purchases.

On April 26, the City Council received, in study session, the “opportunity statements” produced by each of the four Breakthrough Change Teams. These opportunity statements formed the basis for the recommendations and alternatives contained in this final report.

From April 15 through May 20, in Phase III of the project, the teams developed recommendations to address each of the high-potential opportunities. Phase II ends with the final recommendations being delivered to the City Manager, and presented to the City Council in public workshops set for June 4 (including the Employee Compensation and Risk Management Teams) and June 11 (including the Organizational Restructuring and Vehicles and Equipment Teams).

## **Next Steps**

The submission of this final report does not end the Breakthrough Change Initiative, or the work the City of Tacoma has to take on to re-calibrate revenues and expenditures. Phase III – the development of implementation and action plans – was delayed due to the tremendous workload on the Teams to complete Phase II. The development of the implementation and action plans will occur in June and be presented to the Council on July 12 and July 19.

From July to November (Phase IV), the Breakthrough Change teams will begin implementing their action plans – including preparing changes to the Tacoma Municipal Code for Council adoption, and preparing revisions to City administrative rules and policies for the City Manager to adopt. Periodic status reports on implementation will be prepared for appropriate Council standing committees. A full Council Study Session status report on implementation will be presented on October 18.

The City Manager will present final 2005-2006 Breakthrough Change cost savings, and organizational and policy changes to be reflected in mid-biennium amendments to the 2005-2006 budget, to the Council at study sessions on November 8 and November 29. The Council is scheduled to adopt the mid-biennium adjustment to the budget, including changes identified through the Breakthrough Change Initiative, at either its December 6 or December 13 regular meeting.

# **Breakthrough Change Initiative**

## **The Steps**

**Complete 1-Page Chart Here**