

June 4, 2005

To the City Council and the citizens of Tacoma:

Today marks the end of a six-month long planning process, but in reality it is only the beginning of an arduous journey with a critical destination.

In January, I announced the creation of the Breakthrough Change Teams, employee-led groups that would help the City of Tacoma make dramatic changes to the way we deliver services and do business. During these months, separate teams have worked diligently to find efficiencies and savings in employee compensation and benefits, organizational restructuring and consolidation, vehicles and equipment, and risk management.



As you know, Breakthrough Change is a continuation of last year's Strategic Plan and Budget process. In our Strategic Planning process, we set our vision for the longer-term future and determined the goals necessary to chart that course. In the Budget process, we made decisions about what services we would provide, and at what level, for the two-year period we are now in. Then, through Breakthrough Change, for the first time ever, we conducted a comprehensive evaluation of how we do business in order to identify potential efficiencies and performance improvements so we can continue to provide services that the citizens of Tacoma demand into the future. It's important for me to emphasize that never before has the City of Tacoma engaged in a project like this—and it is a most timely endeavor.

Now, for the City to effectively align itself with important goals and initiatives outlined in the Strategic Plan, we need to drastically change our thinking about the way we do business. Our Breakthrough Change Teams—and many of our employees—are helping us to do this.

While the team leaders and members have shown incredible dedication, spending countless hours researching, studying and deliberating their recommendations, they have not been alone in the effort to gather information to shape our future direction. I am grateful to all of the employees who have offered suggestions through the April on-line survey and directly to me at employee meetings, and to others who have provided help in so many ways through this sometimes difficult task. Because of all of your efforts, together, we will be able to see the City of Tacoma stand on solid financial footing for the future. *That* is our critical destination.

You may wonder—how did we ever get off course in the first place? Our financial problems are not only because of voter initiatives. Over a period of decades, we have added services, expanded opportunities, increased employee benefits—and still met demands for public services. We did this during a time when the resources were there.

Now, because of spiraling health care costs and other dramatic expense increases—and the voter initiatives—our resources are just not keeping pace.

The days of simply going out and raising more revenue from our taxpayers are over. Voter initiatives and failed bond issues have made that clear to us. Our citizens are not going to allow more taxation until they are convinced that the City is a lean, efficient provider of services. And at this time, we cannot make the case for being as efficient as we can be.

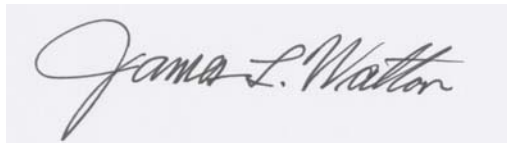
We are indeed at a crossroads in the life of our City. This is important, ground-breaking work that we are all a part of. We are nowhere near as efficient as we *can* be or as efficient as our citizens and their elected representatives demand we become. We can and need to make improvements. It's now a choice of finding more cost-effective options, or facing dire situations—such as massive layoffs and wholesale loss of services. That is certainly not the direction we want to pursue. So instead, we seek breakthrough changes. We must be innovative and operate more cost effectively. The fixes, such as those you will see in this report, will be dramatic and organization changing.

The Breakthrough Change Initiative recommendations are the first-step of a long journey to deliberately and thoughtfully reduce the ever widening gap between the costs of current service levels and the revenue available to pay for them. The recommendations cover short- and long-term sustainable cost reduction options and major policy changes that will have sustainable structural impact on organizational performance and efficiencies into the future. The Report is presented with the understanding that it is a “fluid” document which should be continually updated and refined based on changing economic financial and strategic conditions.

As it comes to the end of my career with the City, I desire to leave you with this roadmap for change. With pride and a sense of resolution, I present this Breakthrough Change Initiative plan to you. These recommendations are the beginning of a critical process. They are the concepts and ideas—the solutions—that the City will need to use to overcome our challenges now and into the future.

This is the direction for the important changes that are to come. Soon, the journey, the implementation of those changes, will begin. For the Tacoma City Council, the new City Manager, the employees, and our citizens, there is much work ahead.

Respectfully,

A handwritten signature in black ink on a light blue background. The signature reads "James L. Walton" in a cursive, flowing script.

James L. Walton