



Proposal to the

State of Hawaii
Department of Taxation

Study of the Hawaii Tax System

October 26, 2016

PFM Group Consulting LLC

1735 Market Street
43rd Floor
Philadelphia, PA 19103

50 California Street
Suite 2300
San Francisco, CA 94111

www.pfm.com



October 26, 2016

Dexter Suzuki
Administrative Services Officer
Department of Taxation
830 Punchbowl Street #217
Honolulu, HI 96813

RE: Tax Review Commission

Dear Mr. Suzuki:

PFM Group Consulting LLC (PFMGC) is pleased to submit the attached proposal to assist the State of Hawaii, Department of Taxation (Department) with studies related to reforming Hawaii's taxes to make them less regressive and/or the best ways to generate more revenue through new and existing sources and improved compliance with Hawaii's tax laws. Through our work with state and major local governments across the country - including the State of Hawaii - we are well-positioned to provide the full range of services required by this engagement.

Given our past work on similar studies (which will be detailed in case studies and discussion), PFMGC is excited about the opportunity to prepare both studies. We view these as complementary efforts that would benefit from a coordinated approach to their evaluation and analysis.

The PFM Group was founded in 1975 and is headquartered in Philadelphia, PA. In May 2009, Public Financial Management, Inc. (a Pennsylvania corporation) and PFM Asset Management, LLC (a Delaware Limited Liability Company) and related businesses, all of which were owned by their senior employees ("Managing Directors"), re-organized into a holding company structure. The new holding company was named PFM I, LLC (a Delaware limited liability company) and all of the above-named business entities became indirect wholly owned affiliates of PFM I, LLC.

In April 2016, our firm's corporate structure was reorganized so that municipal advisory services could be delineated clearly from other financial consulting services — all of which had been provided through Public Financial Management, Inc. ("PFM, Inc.") Given the regulation of municipal advisory activities, financial advisory services are now offered through PFM Financial Advisors LLC ("PFMFA"). PFM, Inc. and PFMFA are now referred to collectively as PFM. Other financial consulting services are offered through PFM Group Consulting LLC and PFM Solutions. These services, provided by PFM's Management and Budget Consulting practice, were provided to the State of Hawaii, Department of Taxation and the Tax Review Commission in 2013.

Due to the re-organization of the company, PFM Group Consulting LLC has applied for a Certificate of Vendor Compliance (File No. 163248 C6) and are awaiting the issuance of the certificate.

As a firm, PFMGC's mission is to assist state and local governments become the best managed organizations in the country. PFMGC's revenue studies, transformational, analytical and results-driven work with clients such as the States of Pennsylvania, New York and Tennessee and the cities of Aurora, CO; Baltimore, MD; Colorado Springs, CO; Pittsburgh, PA and St. Louis, MO, provide our team with the experience and expertise necessary to assist with analyzing and identifying tax alternatives for the State of Hawaii.



The Core Engagement Team will be led by PFMGC professionals who have broad state government experience both as government practitioners and in working with states across the country, complemented by a deep understanding of Hawaii's needs and opportunities. As a Managing Director, I will lead the engagement and ensure that the necessary resources are devoted to fully meet the needs of the State. Prior to joining PFMGC, I spent over 35 years in state government, including managing the revenue estimating process for the State of New York. The senior leadership team will also include Randall Bauer, a former State of Iowa budget director who has led numerous revenue-related studies for PFMGC. Both Randall and I were engaged in the same roles for our work with the Tax Review Commission in 2012. We are pleased to be joined on this proposal by Christopher Wheeler. Christopher was the lead model developer and analyst for PFM's work with the Tax Review Commission in 2012. As a result, he has considerable knowledge and expertise related to the State revenue and expenditure structure. In the years since, Chris entered the PhD program in economics at Rutgers University, where he is on track to receive his PhD in 2017. He has consulted with PFM on multiple projects while earning his doctorate, including developing a multi-year financial plan and revenue structure for the State of Washington Department of Agriculture.

Improving government performance is our mission as a firm. As you will read in the proposal, we have a proven track record of hundreds of successful client partnerships that have resulted in actionable and practical recommendations. Our deeply embedded principle of assisting effective governance, combined with our strong public sector experience and world-class quantitative tools will lead to a productive and capacity-building partnership with the State of Hawaii and the Tax Review Commission.

We appreciate this opportunity to present our team and qualifications. Thank you for your consideration, and please do not hesitate to contact me with questions or if further information is desired. We look forward to hearing from you.

Sincerely,

PFM Group Consulting, Inc.

John Cape, Managing Director
capej@pfm.com

Table of Contents

Transmittal Letter

Table of Contents.....

Statement of Qualifications

- Firm Background
- Examples of Similar Engagements
- PFMGC Engagements in the State of Hawaii

References.....

Project Understanding and Approach

- Area of Study
- Report Outline
- Study Methodology

Project Cost

- Initial Contract Period – Fixed Fee
- Contract Extension – Hourly Fee

Summary.....

Certificate of Vendor Compliance (Application)

Firm Background

The PFM Group was founded in 1975 on the principle of providing sound independent and fiduciary financial advice to governmental and non-profit entities. The firm is comprised of affiliates that are indirect, wholly owned affiliates of the parent company known as PFM I, LLC.

PFM Group Consulting LLC (Formerly part of Public Financial Management, Inc.)

In April 2016, the firm's corporate structure was reorganized so that municipal advisory services could be delineated clearly from other financial consulting services — all of which had been provided through Public Financial Management, Inc. ("PFM, Inc.") Given the regulation of municipal advisory activities, financial advisory services will now be offered through PFM Financial Advisors LLC ("PFMFA"). PFM, Inc. and PFMFA are now referred to collectively as PFM. Other financial consulting services are offered through PFM Group Consulting LLC and PFM Solutions.

- **PFM** engages in debt-portfolio optimization, capital planning, revenue forecasting and evaluation, resource allocation, debt policy development, and bond or loan transaction management, among other services.
- **PFM Asset Management LLC ("PFMAM")** provides liquidity analysis, identifies proper core investment fund levels, and helps clients with their objectives of earning greater returns on their operating and reserve funds. Additionally, PFMAM provides investment and retirement plan consulting services to pension funds, endowments, and similar funds. PFMAM's Structured Products Group assists clients with structuring and restructuring advance refunding escrow portfolios. PFMAM's Arbitrage & Tax Compliance Group provides arbitrage rebate, pre-issuance, post-issuance and Internal Revenue Service ("IRS") audit consulting services.
- **PFM Swap Advisors LLC ("PFMSA")** includes professionals dedicated to advising clients on obtaining interest rate swaps, caps, and collars in order to help manage exposure to interest rates; on the asset side, PFMSA assists in the structuring and procurement of forward delivery agreements, guaranteed investment contracts, and flexible repurchase agreements.
- **PFM Financial Services LLC ("PFMS")** is responsible for providing the Payment Solutions ("P-Card") program, a simple, easy-to-use purchasing card program designed to save clients time and money.
- **PFM Group Consulting LLC ("PFMGC")**. This affiliate provides a broad range of services, including: multiyear financial planning; consolidating and shared-services analysis; operational and program analysis; revenue structure optimization; economic development and incentives; workforce analysis; and pension and other postemployment benefits ("OPEB") review and strategies.
- **PFM Ventures LLC ("PFMV")** is our affiliate through which innovative programs are developed, such as Whitebirch — a flexible financial modeling platform designed to produce dynamic, multi-year financial projections to facilitate strategic planning.

The PFM Group is owned solely by its 84 Managing Directors, who set the firm's strategic direction. Today, the PFM Group comprises nearly 600 employees across 40 professional locations nationwide. The PFM Group is headquartered at 1735 Market Street, 43rd Floor, in Philadelphia, Pennsylvania 19103.

SELECT MBC STATE CLIENTS:

COLORADO

Colorado Department of Human Services

DELAWARE

Delaware Office of Management & Budget
Delaware Department of Administration

GEORGIA

Georgia Governor's Office

HAWAII

Hawaii Department of Taxation

ILLINOIS

Illinois Central Management Services
Illinois Governor's Office
Illinois Tollway Authority

KENTUCKY

Kentucky Governor's Office

MASSACHUSETTS

Massachusetts Economic Development

MINNESOTA

Minnesota Dept. of Management & Budget

NEBRASKA

Nebraska Dept. of Administrative Services
Nebraska Dept. of Labor

NEW JERSEY

New Jersey Department of Community Affairs
New Jersey Economic Development Authority

NEW MEXICO

New Mexico Children, Youth and Families
Department

NEW YORK

New York Division of the Budget
New York Governor's Office

OHIO

Ohio Office of Budget & Management

OKLAHOMA

Oklahoma Office of Management and
Enterprise Services

OREGON

Oregon Dept. of Administrative Services
Oregon Governor's Office
Oregon Office of the Chief Information Officer

PENNSYLVANIA

Pennsylvania Governor's Budget Office
Pennsylvania Convention Center Authority
Pennsylvania Department of Community and
Economic Development
Pennsylvania Department of Education
Pennsylvania Department of Human Services
Pennsylvania Department of Revenue

TENNESSEE

Tennessee Office of State & Local Finance
Tennessee State Treasurer

VERMONT

Vermont State Auditor's Office

VIRGINIA

Virginia Office of Budget & Planning
Virginia Department of Behavioral Health and
Developmental Services
Virginia Port Authority

WASHINGTON

Washington Department of Agriculture
Washington Department of Transportation
Washington Joint Transportation Committee

WISCONSIN

Wisconsin Department of Administration

PFMGC's Management and Budget Consulting Practice

PFMGC's Management and Budget Consulting (MBC) practice was initiated 20 years ago, and it now includes professionals located in offices around the country, including Philadelphia, Arlington, Boston, Chattanooga, Des Moines and San Francisco. MBC had its roots in turn-around efforts related to major local governments and was instrumental in some of the largest turnarounds in the country, turning sizeable operational deficits into surpluses in Philadelphia, Washington DC and Nassau County, New York.

In 2005, the MBC capacity and areas of expertise was expanded with the hire of two former state budget directors, John Cape and Randall Bauer, to lead its state practice. In the years since, state consulting has become an integral part of the practice and includes multiple senior team members with high level state government experience. Besides the many state clients (identified at left) and over 100 state projects, the MBC practice is also qualified on state master contracts for services similar to those within this proposal. Those qualified states include Delaware, Massachusetts, Minnesota, New Jersey, New York, Oregon, Pennsylvania, Utah and Washington.

PFMGC's MBC practice assists state and local governments by creating and implementing effective assessments, evaluations and strategies. PFMGC has been involved in some of the most significant government turnaround efforts in the country, turning sizable deficits into surpluses in cities, counties and states.

Over the years, PFMGC has conducted in-depth analysis of revenue systems and structures, revenue-estimating and revenue collections processes and tax incentives and other system modifications for a number of state and local governments, including the State of Hawaii.

Other state clients within these areas have included New York, Oklahoma, Pennsylvania and Washington. Local government clients in these areas have included the cities of Aurora, Colorado; Baltimore, Maryland; Cincinnati, Ohio; Colorado Springs, Colorado; New Orleans, Louisiana; Pittsburgh, Pennsylvania; Portsmouth, Virginia; and St. Louis, Missouri.

PFMGC lives up to its reputation for generating tangible results for complex government clients and these efforts have resulted in literally billions of dollars of improvements to their bottom line for state and local governments.

Far from producing studies that sit on bookshelves, PFMGC lives up to its reputation for turning analysis into results for complex government clients. The following case studies demonstrate that relevant experience for the State of Hawaii – including PFMGC work with the State and the City of Honolulu.

Examples of Similar Engagements

State of Hawaii Department of Taxation, Tax Review Commission Systematic Study of the State Tax Structure

The Hawaii State Constitution requires that a Tax Review Commission, with members appointed by the Governor, be convened every five years. In 2012, PFMGC was retained by the Commission to conduct a systematic study of the State's tax structure, with particular emphasis on answering two key questions:

1. Will the current tax system provide sufficient revenues to meet near and long term future needs for the 21st Century?
2. Are there alternate tax structures that could improve Hawaii's ability to generate sufficient revenues?

To conduct the study, PFMGC obtained and analyzed state revenue and expenditure data and forecasts, conducted extensive interviews with stakeholders inside and outside of state government, benchmarked Hawaii with other states, and reviewed numerous prior reports, including studies from past Commissions. PFMGC also conducted best practices research and analysis related to tax structure and tax principles, which included a detailed review of existing taxes, tax expenditures and incentives.

To assist with its analysis, PFMGC developed a multi-year financial model using historic data and assumptions on revenue and expenditure performance going forward. PFMGC vetted its analysis with key stakeholders, including the Governor and legislative leaders and submitted a final report in September 2012.

The final report analyzed the State tax structure in terms of its relationship and impact on the Hawaii economy, its strengths and weaknesses in relationship to best practices principles of taxation and its performance related to changes in demographics, consumer choice and the business cycle.

Given that the multi-year model suggested a growing structural imbalance – mostly related to pension, retiree health care benefits and commitments to education and health care funding – the project team also analyzed multiple changes to Hawaii's tax structure and made over twenty recommendations for changes to erase the structural imbalance. Several of these recommendations and the financial analysis that accompanied them related to changes to existing tax expenditures. The project team also documented its model, trained state staff on its use and turned it over to the State at the end of the project. The PFMGC report was an element of the Tax Review Commission submission to the Governor and Legislature.

State of Oklahoma, Office of Management and Enterprise Services Evaluation of State Incentives

In 2015, the State of Oklahoma created a statutory framework to review all of its economic incentive programs over a four-year period. PFMGC was hired by the State to provide subject matter expertise to an appointed Commission responsible for making recommendations on maintaining, revising or repealing each of the incentives.

To assist the Commission, PFMGC developed specific criteria related to program objectives and outcomes and analyzed financial, economic and other data. The project also conducted in-depth interviews with internal and external stakeholders and built financial models to document historic and project future revenue and expenditure impacts. The project team also used an IMPLAN input-output model to determine economic impacts. PFMGC also advised the Commission on evaluation criteria and regularly updated the Commission on its work. On November 1, 2016, the project team provided its in-depth evaluations of the

11 incentives under review for the current year. It is expected that the Commission will act on those evaluations and make recommendations to the Governor and General Assembly by December 15, 2016.

State of Washington Department of Agriculture, Fruit and Vegetable Inspection Program Multi-Year Financial Plan and Fee Structure

The Washington Department of Agriculture is responsible for fruit and vegetable inspections for major State commodities, including Washington apples, cherries, pears and potatoes. In recent years, the Department experienced difficulties with gathering financial and other data related to its program activities. PFMGC was hired to assist the Department with its activity projections and setting appropriate fees related to those activities.

To assist the Department, the project team gathered financial and program activity data from multiple sources used by the Department and conducted in-depth interviews with Department subject matter experts. Based on the data, PFMGC constructed an Excel-based model that could gather, filter and apply the data to specific program activities. Based on the collected data, the project team also identified options and opportunities to revise the Department fee structure to improve its overall operation.

PFMGC also assisted the Department with process improvement efforts to consolidate its existing data and systems. Based on the model developed for the Department and other recommendations, the Department has extended the existing contract to continue to assist them with process improvement efforts.

Commonwealth of Pennsylvania, Department of Revenue Revenue Process Improvement

During FY2012, Pennsylvania's revenue estimating and tax administration processes were not able to provide reliable revenue forecasts for several key taxes. As a result, a review was sought of those processes with the goal of improving overall performance.

In January 2012, the Department of Revenue (Department) retained PFMGC to research, analyze and assess current revenue estimates, estimating inputs and processes, provide input and advice on current and future estimating process changes and make best practices recommendations related to revenue structures and administration. To complete this analysis, the project team developed a project focused around three tasks:

- **Data Review and Background Research.** Through a series of three working sessions with the Department of Revenue Secretary and staff, the project team worked to understand and discuss the key characteristics of the Commonwealth tax and revenue structure, current forecasting methods, key trends for revenue performance and administration of the current system.
- **Benchmarking and Best Practice Research.** With input from the Department of Revenue, the project team identified key benchmark states to gather and analyze information and data related to their revenue estimating process, including responsible staff, use of outside forecasting services, use of internal or externally created revenue estimating models, current and future estimates and past and current performance. The team also reviewed best practice research and findings for state revenue estimating, state revenue structures and administration and analyzed their applicability for the Commonwealth.
- **Subject Matter Assessment and Assistance.** Throughout the project, the project team provided analysis and feedback on the Commonwealth's current revenue estimates as the Department continually refined their current and future fiscal year revenue estimates. After analyzing other state methods and working with national experts in developing and running state-specific revenue estimating models, the project team provided a set of detailed findings and recommendations.

The project team developed a total of 18 findings and recommendations that encompassed revenue forecasting techniques, tax administration and tax policy. PFMGC also provided the Department with an Excel file that included revenue collection and forecasting data for multiple benchmark states in a model that can be updated and used for forecasting and collection analysis in future years. The Department used the PFMGC recommendations and rationale in shaping its legislative package.

City of St. Louis, Missouri Comprehensive Revenue Study

In March 2009, PFMGC was engaged by the Missouri Council for a Better Economy (MCBE), a 501(c)(3) organization, to conduct a comprehensive revenue study of the City of St. Louis, Missouri. Done with the full cooperation and support of the Mayor of St. Louis, PFMGC was hired to inform the City and its stakeholders of opportunities to strengthen and stabilize its long-term revenue base and improve overall economic performance.

PFMGC examined the City's current and potential revenue streams in four areas: tax structure and policy, non-tax revenue generation, tax and revenue collection, and economic development tax incentives. To develop findings and recommendations, the project used a variety of research methods. As a start, the project team conducted extensive interviews with City leadership and staff to gain insight on the City's revenue streams, collection practices, and identify areas of potential improvement. Additionally, the project team met with multiple elected officials, community groups, and business leaders to gain a broader understanding of St. Louis and the issues that impact its revenue streams.

To complement individual interviews, PFMGC conducted extensive data analysis. The project team gathered and analyzed internal reports and studies as well as widely-recognized best practices to compile options for City stakeholders to consider. PFMGC also conducted a comprehensive tax burden analysis estimating the average City and aggregate tax burden on a family of three in St. Louis and ten comparable jurisdictions.

The project team also built two models to assist with 'what if' analysis on revenue alternatives for the City. For a City budget model, PFMGC collected and analyzed extensive budget and financial data to build a detailed financial model that projected the City's long-term budget position and enabled City leaders to see the fiscal impact of possible changes to the City's revenue structure. Finally, the project team developed a customized land value tax model to assist with forecasting the impact of a shift to a land value tax on a typical City homeowner.

Based on these earlier efforts, PFMGC issued a final report containing recommendations to supplement City revenue streams and make the City's revenue structure more competitive. In addition, the project team provided a listing of best practices in areas of revenue policy and a database of over 200 revenue options specific to both St. Louis' departmental operations and fiscal condition. Ultimately, approximately \$16 million of the reports recommendations were adopted by the City Council and Mayor in making changes to its revenue structure.

Following submittal of the report, PFMGC was hired to complete follow-up work exploring the possibility of greater resource sharing and cooperation between the City of St. Louis and St. Louis County.

City of Aurora, Colorado Revenue and Expenditure Study

The City of Aurora is a large, rapidly-growing city of more than 300,000 citizens, with solid financial practices and credit ratings. However, like many similar governments, the 2001 national recession led to a significant financial challenge, particularly for revenues (which are largely dependent on sales and use taxes). While

the City experienced some recovery in 2004 and 2005, there were differing opinions among City leaders as to how future population and commercial growth would impact City revenues and expenditures.

PFMGC was hired to examine Aurora's current and projected revenues and expenditures, determine whether the City's financial difficulties were short term or structural in nature, and make recommendations on methods to improve their current finances. The study was to have both a short term (the next five years) and a long term (next 20 years) outlook. The City also required that the study identify means to broaden their revenue structure and align revenues with services the City provides, both to its current citizens and to new housing and commercial developments.

The project team constructed a short term financial model with a baseline and alternate revenue and expenditure scenarios that indicated the City was facing a structural gap. PFMGC, with the assistance of a Colorado economics consulting group, developed a 20-year demographic outlook that identified the key trends that would shape revenue and expenditure trends for the City. The project team then prepared detailed discussions and revenue projections on approximately twenty revenue alternatives, as well as concise discussions of another forty options for further study. PFMGC also prepared funding recommendations focused on the City's identification of needed capital projects and provided an assessment of key budget cost drivers.

As a result of the study, the City has moved forward on several of the revenue-generating approaches and is actively considering others. Using the PFMGC model as its guide, the City has also updated and expanded its five-year revenue and expenditure models.

City of Colorado Springs, Colorado Staff Support for the Sustainable Funding Committee

In 2008, the Colorado Springs City Council created and appointed a variety of citizens and representatives of stakeholder groups to a Sustainable Funding Committee. The Committee was charged with advising City Council on fiscal sustainability policies to support core services that proactively ensure the health, safety and welfare of our citizens; attract, develop, and retain a high performing municipal workforce; and fund internal infrastructure needs. PFMGC was selected by the City to advise and support the Committee in its efforts.

To assist the Committee and the City, the project team created a multi-year financial planning model that allowed the Committee and City to test long term fiscal implications of various revenue and expenditure decisions and strategies. PFMGC also benchmarked peer cities in the region and around the country and analyzed their revenue structures, levels of service and service delivery systems for comparison with Colorado Springs.

Because of the size and complexity of their work, the Committee formed three subcommittees, and the project team supported the Services and Revenue subcommittees. PFMGC conducted extensive interviews with City staff responsible for core services, analyzed program and financial data and wrote detailed reports on City services and revenue structures, which were used by the subcommittees – and ultimately the Committee as a whole – in making their recommendations to City Council.

The Committee's task became significantly more complicated, because the City was heavily impacted by the national economic slowdown experienced in 2008 and 2009. In the face of significant declines in revenue, the City was forced to make dramatic budget reductions. These budget changes impacted the levels of service provided by the City and required the Committee to re-do much of its work. Even as the economic and budget circumstances worsened, the Committee forged ahead, and PFMGC revised its analysis and recommendations on multiple occasions to reflect these changes.

Ultimately, the Committee submitted its final report in summer 2009. It made scores of recommendations to City Council with opportunities to improve overall City operations, change service delivery methods and its revenue structure. Many of these recommendations are being actively pursued by the City's elected officials and staff, including the recommendation to pursue a new model for delivering transit service in the region.

Pennsylvania Department of Community and Economic Development Act 47 Recovery Plan Coordinator for the City of Pittsburgh

In August 2003, Pittsburgh laid off 446 full and part-time employees, including nearly 100 police officers. City recreation centers were shuttered, public swimming pools closed, and services from police mounted patrol to graffiti-removal eliminated. In the fall of 2003, the City's credit ratings were downgraded repeatedly, leaving Pittsburgh as the nation's only major city to hold speculative "junk bond" ratings. The City's independent financial audit even questioned Pittsburgh's ability to continue as a going concern.

In response, the Secretary of Pennsylvania's Department of Community and Economic Development (DCED) designated the City as "distressed" and placed it under state oversight in accord with the Municipalities Financial Recovery Act, Act 47. In January 2004 the Secretary appointed PFMGC and regional law firm Eckert, Seamans, Cherin & Mellott, LLC to be the City's Act 47 Coordinator and draft a multi-year Recovery Plan. The Act 47 team spent over 2,500 hours developing solutions for the City's financial crisis through a process that engaged elected and appointed leaders, officials of all nine labor unions, business and citizen groups and other community stakeholders.

The 2004 Plan was based on a multi-year budget model that projects the City's revenues and expenditures absent corrective action and how different initiatives impact the financial bottom line. The 234-page Plan included more than 200 specific recommendations to close annual deficits projected to grow from approximately \$72 million in FY2005 to more than \$115 million for FY2009 (against a revenue base of approximately \$365 million). Passed by City Council and signed by the Mayor in June 2004, the Plan provided a comprehensive strategy to help Pittsburgh regain its financial health by:

- Restructuring City services, such as the Bureau of Fire and fleet maintenance.
- Improving cooperation with Allegheny County and other municipalities.
- Controlling workforce costs by moderating wage growth and fast-rising benefit expenditures.
- Strengthening financial management, including annual budget preparation and presentation.

PFMGC was particularly involved in developing the Plan's revenue recommendations. Because Act 47 does not provide the power to impose certain statutory tax changes, the team proposed a menu of tax options for consideration by the General Assembly. The Legislature and Governor accepted some items, rejected others, and accepted others with modification. PFMGC was particularly involved in projecting revenue and resolving structural issues involving the City's new payroll tax and the statewide revision of the occupational privilege tax.

By implementing the 2004 Plan and its own initiatives, the City regained its credit rating and turned persistent annual budget shortfalls into recurring positive operating results. The City reported a \$46.5 million year-end General Fund balance to close FY2008, not including another \$27.2 million set aside for pay-as-you-go capital funding and \$45.4 million deposited in a restricted account for debt service.

In 2008 the Secretary of DCED directed PFMGC and Eckert Seamans to draft an Amended Recovery Plan to address the daunting legacy costs threatening the City's sustained recovery. The City had over \$1 billion in liabilities related to its severely underfunded employee pensions, retired employee benefits and workers' compensation claims. As in 2004, the Act 47 team met with elected and appointed officials and community stakeholders to get their input, built a multi-year budget model and drafted an Amended Recovery Plan that does the following:

- Establishes a multi-faceted approach to the City's pension and other post-employment benefit (OPEB) crisis that includes increased local contributions, liability management, sound plan administration and building partnerships for statewide reform.
- Emphasizes the development of debt management policies and a more sophisticated capital budget to ensure future debt issuances are part of a fiscally sound capital improvement plan.
- Maintains the 2004 Plan's core principals of workforce cost containment, creative service restructuring and intergovernmental cooperation.
- Provides a strategy to broaden the City's revenue base.

In June 2009, City Council approved and the Mayor signed the Amended Recovery Plan. Along with Co-Coordinator Eckert Seamans, PFMGC continues to serve the Commonwealth as an overseer monitoring the City's immediate and long-term health, serve the City as a guide for implementing priority initiatives, and serve both governments as a liaison between the two.

City of Baltimore, Maryland
Mayor's Blue Ribbon Committee on Taxes and Fees

PFMGC was retained by the City of Baltimore to support the activities of the Blue Ribbon Committee on Taxes & Fees appointed by Mayor Sheila Dixon.

The Committee of twenty-six citizens was charged with analyzing the City's tax structure, with particular emphasis on seeking alternatives for reduction of the highest property tax rate in the region. The project team supported the Committee in part by analyzing commercial property tax assessment policies and evaluating alternative sources of revenue that could allow the City to reduce its property tax rate while maintaining projected General Fund income over a five-year period.

PFMGC facilitated the Committee's thirteen meetings and delivered presentations on the revenue structures of Baltimore, several Maryland counties, and comparable jurisdictions selected with the Committee's input. In addition, PFM developed a menu of options that could allow the City to reduce its property tax rate either through an increase in revenue from existing sources or through the creation of new sources of revenue. Each option was evaluated in terms of overall revenue potential, future revenue growth, volatility, legislation required for implementation, and the net effect on taxpayers. In addition, Committee members were polled on the feasibility and overall desirability of each option.

The Committee's final report identified sixteen such options to reduce the City's real property tax rate and outlined a scenario in which the rate could be reduced by as much as forty percent over several years - dramatically improving the disparity between the property tax rate of the City of Baltimore and those of adjacent Maryland counties. Upon completion of the project, the City hired PFMGC to conduct a fee study related to specific fees identified as not covering the cost of city services.

MBC Team

Our professionals are seasoned public sector management and budget specialists, recognized nationally for innovation and results. Together, they provide the State with the breadth and capacity expected from a leading national consulting firm, while at the same time delivering the focus and direct, senior-level involvement reflective of our commitment to improving government performance.

The project team is headed by John Cape and Randall Bauer, highly experienced public sector government managers committed to assuring that the PFMGC Team delivers the resources it needs to successfully complete this project. As demonstrated in the resumes that follow, we attest that all members of the team meet or exceed the experience required for this engagement and that the staff proposed will continue to be available

John Cape, Managing Director

John F. Cape is a national expert on state budgets and public policy, with over 30 years experience in the public sector.

Prior to joining PFMGC, Mr. Cape served as the Director of the Budget for New York State. As Director, he was New York's chief financial officer and the principal fiscal advisor to the Governor, heading the Division of the Budget, whose 350 staff members oversee a \$113 billion operating budget and \$50 billion debt portfolio.

Mr. Cape began his State career in 1973, working as Municipal Management Consultant and Federal program manager before joining the Division of the Budget in 1980. During the following 26 years, he had the opportunity to oversee funding for virtually every State program area. He headed the Division's Federal Relations office, working with organizations including the National Governors Association advocating for changes and enhancements to Federal programs including Medicaid, Welfare and Transportation. After being named Assistant Director in 1997, he went on to oversee the State's, economic and revenue forecasting, tax policy, capital planning and finance, and cash management. He also directed the State's debt policy, including management and issuance of all State-related debt, Federal securities disclosure, and rating agency relations. The author of major budget reform and debt reform statutes, in 2000 he was promoted to Deputy Director, overseeing statewide budget planning, development, negotiation and execution, advancing to First Deputy in 2002 and Director in 2004. He also served as Chairman of the State's Public Authority Control Board and a Director of the Local Government Assistance Corporation.

A nationally known speaker on state fiscal and policy issues, and a recognized advocate for fiscal integrity and transparency, Mr. Cape serves as a Senior Fellow of the Rockefeller Institute of Government, is a Fellow of the State Academy of Public Administrators, and has served on the Executive Board of the National Association of State Budget Officers. He is the 2006 recipient of the Center for Technology in Government's *Rudolph W. Giuliani Leadership Award*, and recipient of the American Society for Public Administration's *Charles Evans Hughes Award*.

Mr. Cape received his Bachelor of Arts degree from the State University of New York Empire State College and pursued graduate study at the Rockefeller College of Public Affairs.

Mr. Cape is based in Albany and New York City, New York, and co-leads PFMGC's Management and Budget practice for state governments in conjunction with former State of Iowa Budget Director, Randall Bauer.

Randall Bauer, Director

Randall Bauer leads the revenue analysis practice in PFMGC's Management and Budget group. His state project clients have included the States of Delaware, Georgia, Hawaii, Illinois, Minnesota, Nebraska, New

York, Ohio, Oklahoma, Oregon, Pennsylvania and Washington as well as the cities of Aurora, Baltimore, Cincinnati, Colorado Springs, St. Louis and Washington DC.

Mr. Bauer's areas of specialty include analyzing and developing revenue structures, economic incentives related to tax structures and long term financial and strategic planning. Among his recent projects, he assisted the State of Washington Department of Agriculture with analyzing and determining appropriate fee and revenue structures for its fruit and vegetable inspection program, is leading an evaluation of state economic incentives (primarily tax incentives) for the State of Oklahoma, and has assisted the State of Oregon with reorganizing its IT operations, including its methods for charging for services. Past projects have included managing the study of the Hawaii tax system for the 2012 Tax Review Commission and making recommendations for changes to the administrative and revenue estimating processes for the Pennsylvania Department of Revenue.

At the local level, Mr. Bauer has assisted the Cities of New Orleans, Pittsburgh and Portsmouth with their revenue estimating efforts. He has also managed studies of the revenue structure and proposed changes for the City of St. Louis, the long-term capacity of the revenue structure for the City of Aurora, Colorado; and the income tax collection process for the City of Cincinnati, Ohio. He has also served as a subject matter expert for the Mayor's Blue Ribbon Tax Commission in Baltimore, Maryland; and the Sustainable Funding Committee in Colorado Springs, Colorado. Finally, he has also led a study of the city economic development tax incentives for the City of St. Louis.

Prior to joining PFMGC, Mr. Bauer served for nearly seven years as Budget Director for the State of Iowa and was Governor Thomas Vilsack's chief adviser for the State's \$12 billion budget as well as a senior adviser on tax and public finance issues. In that capacity, he was the Governor's appointee to the Legislature's Study of Property Tax Reform and also chaired the Governor's 2002 review of State tax policy. He also guided the Department of Management staff responsible for developing the Executive Branch revenue projections for the State's revenue estimating conference.

Prior to his work as State Budget Director, Mr. Bauer served for over ten years as a senior legislative analyst for the Iowa Senate with primary responsibilities on budget, tax, infrastructure and economic development issues.

Mr. Bauer earned a BA from Coe College, the Certified Public Manager designation from Drake University, and was a Fannie Mae Foundation Fellow at Harvard University's program for senior executives in state and local government. He has served on the Executive Board and as chair of the Finance Committee for the United States Chess Federation, as President of the Iowa Society of Certified Public Managers, and is a life member of the National Association of State Budget Officers, where he served on its Executive Committee.

Christopher Wheeler, Subject Matter Expert

Christopher Wheeler is a subject matter expert with significant expertise related to financial modeling and revenue and tax structure analysis. Prior to returning to Rutgers University to earn his PhD in economics, Christopher was a senior analyst in PFMGC's Management and Budget Consulting practice. Among his projects were operational and management reviews, multi-year financial plans, and revenue and fee studies for the States of Hawaii and New York and the cities of St. Louis, MO, Gainesville, FL, and Baltimore, MD.

Mr. Wheeler was the lead analyst for PFM's 2012 work with the Hawaii Tax Review Commission. He also assisted the State of New York with analysis of possible revenue from changes to its gaming operations. For the City of St. Louis, he developed a comprehensive tax burden analysis of the City of St. Louis and nine comparable cities and a financial model that displays impacts from alternative tax policy approaches. He has also analyzed and evaluated tax collection procedures in St. Louis and issued recommendations on the use of Payment in Lieu of Taxes agreements and Market Based Revenue Opportunities.

Mr. Wheeler earned his Bachelor of Arts degree in Political Science from Temple University, where he also received the Norman & Ruth Sun Economics Writing Award. He earned his Masters degree in Government Administration from the Fels Institute of Government at the University of Pennsylvania. He has now completed all of his course work related to his PhD from Rutgers University, which he is expected to earn in 2017. Mr. Wheeler is currently also engaged as a Research Economist for the State of New Jersey Department of Community Affairs.

Seth Williams, Senior Managing Consultant

Seth Williams is a Senior Managing Consultant in PFMGC's Management and Budget group. Since joining PFMGC's MBC practice, Mr. Williams has supported state and local government clients with on projects involving transformation/operational review, workforce and organizational structure analysis, and financial improvement initiatives. He has worked for a diverse set of clients – a sample that includes: the States of Hawaii, Pennsylvania and Virginia; Cuyahoga County, Ohio; City of Baltimore, Maryland; City/County of Philadelphia, Pennsylvania; New Castle County, Delaware; Ocean County, New Jersey; and Cherry Hill Fire Department, New Jersey. Additionally, Mr. Williams has presented on workforce management topics at the New Jersey Association of Counties (NJAC) and New Jersey GFOA annual conferences.

Prior to joining PFM, Mr. Williams worked for the Office of the New Jersey Governor as Cabinet Liaison and a Deputy Director of Management and Operations. He was the primary point of contact in the Governor's Office on operations, budget preparation, organizational management issues, and tactical activities for 12 cabinet departments and sub-cabinet agencies. In this role, his responsibilities also included administration of workforce planning/personnel management initiatives, serving as the principal staff member responsible for candidate recruitment, vetting, and selection for high-level, Gubernatorial-appointed positions, and acting as the lead staff member to the New Jersey Commission on Government Efficiency and Reform (NJ GEAR); a high-profile Commission appointed by the Governor.

Mr. Williams earned a Masters degree in Government Administration from the University of Pennsylvania, Fels Institute of Government, Philadelphia, PA and a Bachelor of Arts degree in Political Science from Muhlenberg College, Allentown, PA.

Deanna Yocco, Senior Analyst

Deanna Kimball Yocco is a Senior Analyst in PFMGC's Management and Budget Consulting practice and is based in the firm's Philadelphia office. She provides quantitative, analytical, and research support for governmental performance improvement.

Ms. Yocco has been a member of the PFMGC team leading the National Resource Network, a core component of the White House Strong Cities, Strong Communities initiative to develop and deliver innovative solutions to American cities to help address their toughest economic challenges. Ms. Yocco has also worked on state performance improvement projects including serving as the lead analyst and model developer for a State of Illinois project related to determining its optimal fleet and methods to finance it.

Prior to joining PFMGC, Ms. Yocco was a Budget Analyst with the School of Arts and Sciences at the University of Pennsylvania, where she prepared analyses for school resource planning and collaborated with school leadership to achieve sustained economic viability and growth. Her project responsibilities included preparation of quarterly school-wide forecasts and profit/loss analyses, enrollment and revenue estimates, and the completion of annual five-year budget projections.

Previously, she served as a Budget and Management Analyst for the State of Ohio's Office of Budget and Management, where she analyzed and monitored financial matters affecting the State's Behavioral Health agencies, boards and commissions. Her project responsibilities included the consolidation of two cabinet-

level departments into a single state agency and the preparation of the Governor's Monthly Financial Report, detailing the State's economic forecast, revenues, and preliminary monthly disbursements.

Ms. Yocco holds a Bachelor of Arts degree, cum laude from Xavier University and a Master of Public Administration degree and Graduate Certificate in Nonprofit Management from Northern Kentucky University.

References

The following outlines three reference contacts for projects of similar size and scope. Additional references can be provided upon request.

Government Name:	Pennsylvania Department of Community & Economic Development (DCED)
Project Name	Act 47 Recovery Plan Coordinator for the City of Pittsburgh
Contact Person:	Fred Redding, Deputy Secretary
Phone Number:	717-720-7387
E-mail:	freddig@state.pa.us
Address:	Commonwealth of Pennsylvania 400 North Building, 4 th Floor Harrisburg, PA 17120

Government Name:	Washington Department of Agriculture
Project Name	Fruit and Vegetable Inspection Program
Contact Person:	Cameron Crump
Phone Number:	360-902-1833
E-mail:	ccrump@agr.wa.gov
Address:	1111 Washington Street, SE Olympia, WA 42560

Government Name:	State of Delaware Office of Management and Budget
Project Name	State/County Finance and Revenue Support
Contact Person:	Brian Maxwell, Director
Phone Number:	302-739-4206
E-mail:	Brain.Maxwell@state.de.us
Address:	Haslett Armory 122 Martin Luther Kind Jr Boulevard South Dover, DE 19901

Proposal Overview

As previously noted, PFMGC is proposing to conduct the three studies contemplated in the RFP:

1. A study showing who bears the burden of Hawaii's taxes.
2. A study showing ways to reform Hawaii's taxes to make them less regressive.
3. A study on the best ways to generate more revenue through new and existing sources, and through new and existing sources, and through improved compliance with Hawaii's tax laws.

These studies have significant overlap between the work and analysis for each of these study areas. This will both provide for certain economies of scale in data and information gathering and also insure that the analysis and recommendations will be compatible. For example, understanding who bears the burden of the existing tax structure is helpful for assessing impacts from changes to that structure. It is also likely, for example, that revenue generation from new and existing sources will have a material impact on the regressivity of the tax structure; combining (or at least coordinating) these studies will help to ensure the studies don't end up serving cross purposes.

As was noted throughout the 2012 study, Hawaii's unique nature as a State is recognized and will be factored into both the project plan and its analysis. This impacts both on the analysis of future needs (largely a discussion of expenditures) and the sufficiency and effectiveness of the current versus alternate tax structures.

While no two states are exactly alike, Hawaii is most unique, given the lack of a shared border with any other state or province. This impacts on revenue discussions – such as cross border competition when examining the efficacy of the general excise tax (GET) structure. At the same time, the importance of the state's tourism industry – and hence how the tax structure impacts it – must also be taken into consideration. Discussions of importing and exporting of the state tax burden are complicated by its impact on this key industry and must be carefully weighed in the analysis.

Likewise, a key consideration for a revenue structure is its capacity – particularly its ability to provide sufficient resources throughout the business cycle. Given that economic downturns – and other unforeseen events – can dramatically impact this industry, the analysis must be able to factor these challenges into its models and discussion.

As the project team knows from the work in 2012, Hawaii is also unique on the expenditure side of the state budget equation. Hawaii is one of a handful of states that assumes all or nearly all the costs of K-12 education – in most states, local school districts are required to fund a significant portion of school district costs, which is often well over half of the total cost. Among all the states, expenditures for K-12 education are the second largest expenditure category, at 19.2 percent in FY2015 (according to the National Association of State Budget Officers). For general fund spending, K-12 is the largest category for all states, at 35.3 percent. This commitment to state funding of education limits the State's choices during economic downturns, as many of the expenditures in this area are not readily scalable to fit with revenue declines. It is notable that the project team recently completed an expenditure study for a Governor-appointed Commission in Delaware, one of the other states that mostly funds education at the state level. As a result, the project team is very familiar with the ins and outs of that type of system.

In short, among the States, Hawaii is truly unique. In this case, the project team is already experienced in conducting this analysis. The project team brings extensive experience and expertise to similar types of studies, both in Hawaii and in other states.

a. Area of Study

As noted, PFM proposes to conduct all three requested studies. The following outline combines these three studies into one project.

b. Report Outline

PFMGC views each project as an opportunity to collaborate on the most effective and useful approach. As a consequence, the general PFMGC project plan approach would provide for an opportunity for a first round of interviews with key stakeholders, receipt and review of detailed state information and some basic modeling before developing a final report outline.

For discussion purposes, PFM provided a potential outline for the 2012 study; during the work with the Tax Review Commission and the Department of Taxation, that outline was refined to fit the specific needs of the State. The following outline is taken from the final report for the State of Hawaii in 2012):

- I. Executive Summary
- II. Introduction and Project Background
 - a. Report background
 - b. Methodology
 - c. State background
- III. Current Revenue Structure
 - a. General characteristics
 - b. Relationship of State and local revenue and expenditures
 - c. Primary components and comparison to other states
 - d. State taxes performance
 - e. Strengths, weaknesses, opportunities and threats
- IV. Structural Sustainability
 - a. Long-term forecasting model
 - b. Sustainability forecast
 - c. Summary
- V. Revenue Alternatives
 - a. Tax Policy Principles
 - b. Revenue strategies/approaches
- VI. Observations and Recommendations
- VII. Appendices
 - a. Interview/discussion/presentation groups
 - b. Suspended exemptions
 - c. Growth rates and model outputs
 - d. Tax burden model
 - e. State individual income tax provisions

The following is an outline that combines the three requested studies for the current Tax Review Commission:

- I. Executive Summary
- II. Introduction and Project Background
 - a. Report background

- b. Methodology
- c. State background
- III. Current Revenue Structure
 - a. General characteristics
 - b. Current structure tax burden
 - c. Current structure measures of regressivity
 - d. Relationship of State and local revenue and expenditures
 - e. Primary components and comparison to other states
 - f. Components and comparison to other states' burden and regressivity
 - g. State taxes performance
 - h. Strengths, weaknesses, opportunities and threats
- IV. Revenue Alternatives
 - a. Tax Policy Principles
 - b. Revenue alternatives and impacts on tax burden and regressivity
 - c. Revenue strategies/approaches
 - d. Strategies/approaches impact on tax burden and regressivity
- V. Observations and Recommendations, including impacts on tax burden and regressivity
- VI. Appendices
 - a. Interview/discussion/presentation groups
 - b. Suspended exemptions
 - c. Growth rates and model outputs
 - d. Tax burden model focused on regressivity
 - e. State individual income tax provisions

As with all PFMGC studies, the actual outline and content will be modified as needed to fit the client needs. PFMGC projects provide multiple opportunities for the project team to interact with the client to ensure that the outline and resulting analysis aligns with your needs.

c. Study Methodology

The project team views both potential studies as practical discussions of tax policy that factor in real world political, social and economic considerations. While our colleague, Christopher Wheeler, is a card carrying economist, he – along with the entire PFMGC senior team – also has a strong background in the actual mechanics and operation of state government. The study approach focuses on a real world analysis and discussion of the challenges – and opportunities – in this subject area confronting the State.

The following methodology/approach assumes that the State wishes to combine the projects. From our perspective, this has obvious advantages and few disadvantages. If the State determines that PFMGC should do only one of the two, the projects can be disaggregated, and the discussion will describe how they would diverge.

1. **Detailed Project Planning.** As previously described, PFM tailors the project plan to the needs identified in project discussions with the client – and sometimes modified as interviews and data collection take place. This includes a detailed timeline and list of activities, as well as those responsible for them. In general, it also includes a project kick-off to allow the key project members for both PFM and the State to share plans and expectations.
2. **Financial Modeling.** PFMGC will create a revenue-focused model will be used for assessing options and opportunities related to tax and revenue alternatives for the State. This model will

be a key resource for subsequent steps in the project. Beyond just providing a snapshot forecast, the model enables ongoing updates – both to reflect changing circumstances outside of the State’s direct control (e.g., demographic changes, volatility in tax and state revenues and federal funding), as well as the impact of budget changes if implemented. In addition to allowing for regular updates of budgetary progress and status, maintaining this model can enable “what if” financial projections to better inform future policy decisions (e.g., changes in tax rates, changes to expenditure decisions).

For this project, PFM will also model and analyze tax burden. This was also done in the 2012 analysis, and for this project, it will focus on tax regressivity. PFM will use existing data related to tax incidence and its impact on differing income cohorts.

As the baseline model is being updated, PFMGC will conduct interviews with key stakeholders to gather and refine data and assumptions related to revenue and expenditure trends and performance.

3. **Benchmarking and Best Practices Research and Analysis.** At the same time, benchmark peer organizations will be identified and electronic and other surveys constructed and data gathered for further analysis. PFMGC will also conduct best practices research and analysis related to revenue and tax structures. Because this is a key subject area for our work with governments around the country, PFMGC maintains an extensive database of best practices, revenue structures, taxes and tax rates that it can rely upon to form the foundation for this analysis.
4. **High Level Findings.** Based on the data collected and with input from the State, PFMGC will analyze current and future trends and develop high level findings related to both areas. At this point, PFMGC would schedule and convene a mid-project update with the client to communicate the project activities and findings to date, elicit feedback and identify any additional areas for research, analysis or consideration. Based on that feedback, PFMGC would ‘fill in any blanks’ and move to developing a draft (or drafts) of the report(s).
5. **Draft Report.** In the final phase, the project team will provide draft written report(s). The project team will, as appropriate, provide presentations to the Tax Review Commission and other stakeholders. Based on feedback and other input, the project team will make any needed revisions or other modifications to the report. PFMGC will then submit a final report and provide any in scope training and documentation of models to turn over to the client. The project team will also be available for additional presentations or support for the Commission and the State.

As with the 2012 project, PFMGC prides itself on full client satisfaction, and we provide a full project guarantee: we will not be finished with the project until the State is satisfied with the result. Period.

PFMGC also builds a variety of project management tools and techniques into its project approach and methodology. In our experience, regular communication is a key measure of project success. PFMGC generally provides regular progress reports (for example, through written weekly or bi-weekly summaries of activities, issues requiring resolution, and planned future activities and events), accompanied by regularly scheduled project conference calls.

PFMGC’s project managers are seasoned professionals with broad government experience – they understand competing time demands and the need to balance regular communication and participation with the ‘real-world’ demands of busy government leaders. They will work with the project sponsor and project manager to strike the appropriate balance in project reporting and client communication.

Detailed Proposal

Also important to successful project management, PFMGC is strongly committed to understanding and gaining buy-in from those who will carry our recommendations forward (or not) when our project engagement is complete. Internally, we also use a range of project management tools and techniques to keep our work moving forward on time and on budget. For every project, we designate both an Engagement Director and a Project Manager. The Project Manager coordinates development of project timelines, goals, team meetings, client checkpoints, and all interim and final deliverables, while the Engagement Director ensures quality control and client satisfaction. Both the Engagement Manager and Project Manager receive biweekly project reports detailing hours worked by all team members assigned to the project, and are authorized to commit resources toward meeting client goals. Between these senior leaders, and across all levels of our teams, our corporate culture promotes regular, open, and active communication and coordination.

d. Fixed Fee for Initial Contract Period

PFMGC is flexible on methods for billing for projects and, based on the client's preference, will structure a project for hourly rates, hourly rates with a cap, fixed fee per deliverables or fixed fee per project.

As noted above, we believe the best business case and approach for this project would be to combine the three studies into a single project. If that is the State's preference, PFMGC would conduct all three studies for a fixed fee of \$146,000. This generally falls into the middle range of the fees that have been billed to clients for similar projects.

This revised estimate has been reached by eliminating the estimated hours associated with revising and maintaining the multi-year financial project model (\$44,000) and more extensive stakeholder interviews and discussion (\$10,000) while adding the cost of the tax burden analysis (\$50,000).

e. Hourly Fee for Contract Extension Period (If Any)

PFMGC generally uses differing hourly rates based upon the experience and expertise of the individual. If the State would seek to use varying rates, we would propose (per hour):

- Managing Directors: \$300
- Directors: \$275
- Senior Managing Consultants \$250
- Senior Analysts \$225
- Analysts \$200
- Research Assistants \$100

Should the State desire a single rate, we would propose a blended rate of \$250 per hour.

Summary

PFMGC has put together a highly experienced team with great expertise in the subject area – and in working with the State. PFMGC is committed to the full satisfaction of its clients, and the State of Hawaii is a valued PFMGC client. We look forward to continuing to serve you on this and other projects.

Ultimately, PFMGC brings to the State a winning combination of experience, expertise and independence. The choice of PFMGC brings the State:

- **Strong focus on Hawaii with a solid understanding of the State’s dynamics.** The senior leadership team were all key members of the PFM project team that worked with the State and the 2012 Tax Review Commission. The engagement director, John Cape, brings more than three decades of experience with New York State government – including service as Director of the Budget – to bear on the management of the challenges posed by this engagement. The project manager, Randall Bauer, served as the State of Iowa’s Budget Director during his 18 years in state government. Both of these highly-respected and accomplished individuals have led studies related to tax systems/structures in their own states and bring a wealth of knowledge and experience to this engagement.
- **Independence.** PFMGC is in the business of ideas, analysis and sound advice to federal, state and local governments – not software, services or products. We serve only governments, and our only business is advice. Our consulting is not a foot in the door for product sales or affiliated technology “solutions.” Our only interest is that of our clients.
- **Integrity.** Professional integrity and public accountability have always been hallmarks of PFMGC’s philosophy, not a by-product of the financial industry crisis.
- **Commitment to capacity-building.** PFMGC is a unique organization, led by former government managers who remain committed to improvement of government management. From this perspective, we also have a point of view about the role of consultants. It is our belief that external consultants are best utilized when specialized expertise is required for a finite period of time and that, in the end, consultant efforts should be designed to build the internal capacity of the existing public staff to carry on the value added by the external experts. Accordingly, our approach is designed to do the necessary analysis leave behind the models and knowledge for the government employees to continue or expand the effort on their own, going forward.
- **Hands-on involvement.** PFMGC is committed to direct, senior-level communication and contact with our clients at all stages of a project. While national in reach and experience, we are not the biggest management consultancy on the globe – and we do not want to be. We want to be the best – remaining a cohesive team that will do the work, interact closely with the State, and deliver. We will not provide cookie-cutter approaches pulled out of a file with the details filled in by the latest round of new hires. Our work will consistently represent our collective best effort by the most highly qualified members of our team.

Certificate of Vendor Compliance
