

City of Newcastle



Town Hall Meeting

The Golf Club at Newcastle

June 18, 2019



Tonight's Agenda

- 1. Welcome.....Allen Dauterman, Mayor
Rob Wyman, City Manager

- 2. City Finances & Fiscal Sustainability.....Steve Toler, Management Partners
Christine Butterfield, Management Partners

- 3. Question and Answer Session.....City Council

Meet Your Newcastle Council



Mayor
Allen Dauterman



Deputy Mayor
Linda Newing



Councilmember
Gordon Bisset



Councilmember
Tamra Kammin



Councilmember
Dave Mitchell



Councilmember
Carol Simpson



Councilmember
Tom Magers

City of Newcastle Town Hall Meeting

*Funding City Services
and
Developing a Fiscal Sustainability Plan*

June 18, 2019

Management
Partners



About Management Partners

We are experts at fiscal sustainability and financial planning/budgeting for cities

24
years

of service exclusively to local governments

Over
1,500
projects

successfully completed in 42 states

80+
associates

including generalists and subject-matter experts in
finance, IT public works and other areas

3
national
offices

in San Jose and Costa Mesa, CA and
Cincinnati, OH

Services

- Financial Planning/Budgeting
- Process Improvement
- Operations Improvement
- Strategic Planning
- Service Sharing
- Organization Analysis
- Organization Development
- Performance Management
- Facilitation and Training
- Executive Recruitment
- Executive Coaching

Tonight's Presentation



- **Overview of City Budgeting and How Services are Funded**
- **City's Current Financial Forecast**
- **Question and Answer Session with City Council and Staff**

Funding City Services

- What services are provided?
- How are those services funded?



Sample of Government Services

State

- Legislative
- Health and human services
- Higher Education
- Natural resources
- Transportation
- Judicial
- General government

County

- Police (Sheriff)
- Social Services
- City-like services to unincorporated areas
- Judicial (county)
- Library

School Districts

- K-12
- After school programs
- Community colleges

Special Districts

- Water
- Sewer
- Storm drains
- Irrigation
- Parks and open space
- Recreation
- Fire
- Public hospitals
- Weed abatement
- Library

Cities

- Police
- Fire
- Public works maintenance
- Engineering
- Parks
- Recreation
- Municipal courts

City of Newcastle's Services

Planning

Building

**Code
Enforcement**

**Community
Events**

Parks

Streets

**Facilities
and Fleet**

Finance

**City
Management**

City Attorney
(contracted)

Police
(contract with
Sheriff's Office)

Fire
(contract with
Bellevue Fire)

How Newcastle Provides Services

GENERAL GOVERNMENT

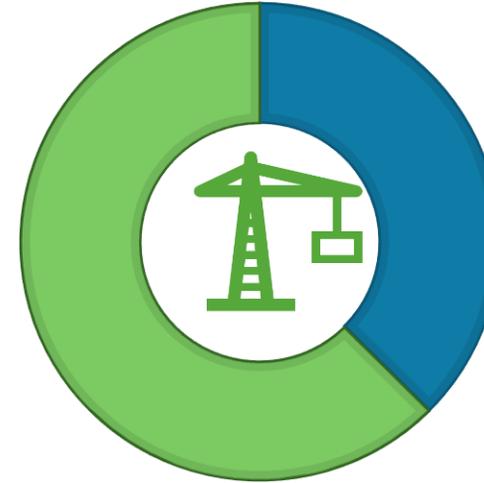
City Council,
City Manager,
City Clerk,
Finance,
Risk
Management



Risk
Management,
City Attorney,
IT

COMMUNITY DEVELOPMENT

Planning,
Building,
Code
Enforcement,
Plan Review,
Inspection



Chief Building
Official,
Plan Review,
Inspection

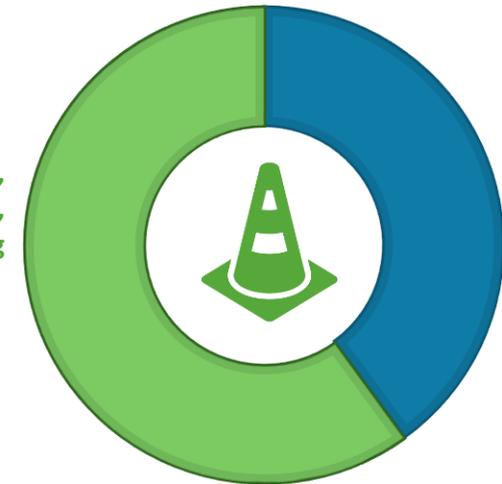
PUBLIC SAFETY

Police,
Fire,
Municipal
Court,
Jail,
Animal Control



PUBLIC WORKS

Maintenance,
Parks,
Engineering



Maintenance,
Street
Sweeping

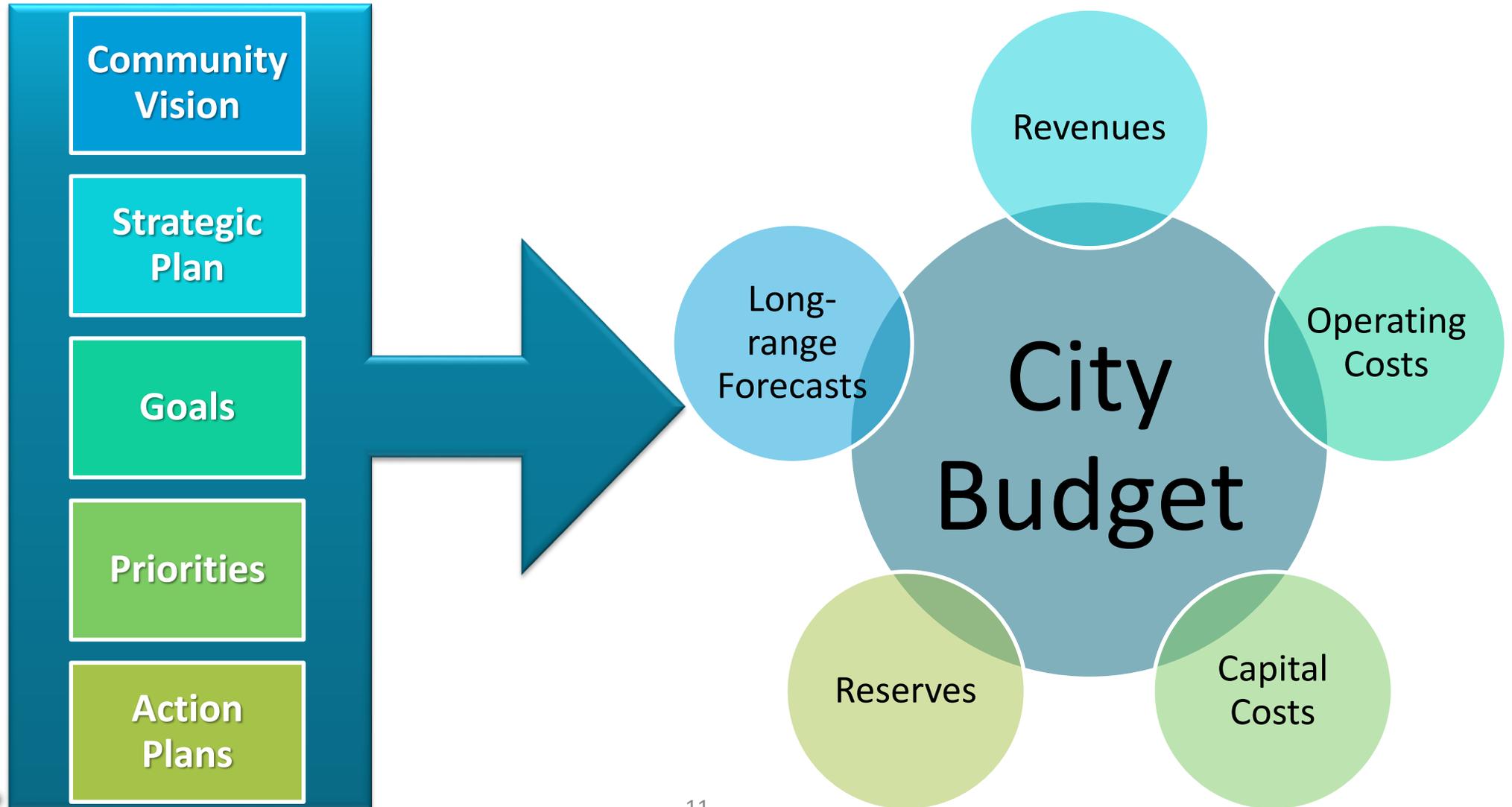


Services Provided by City Staff



Contracted Services

Components of a City Budget



Best Practices in Local Government Budgeting

Fiscal Policies

- Minimum reserve policies
- Cost recovery policies on fees and charges
- Debt issuance and management
- Use of one-time revenues
- Balancing the operating budget
- Revenue diversification
- Contingency planning

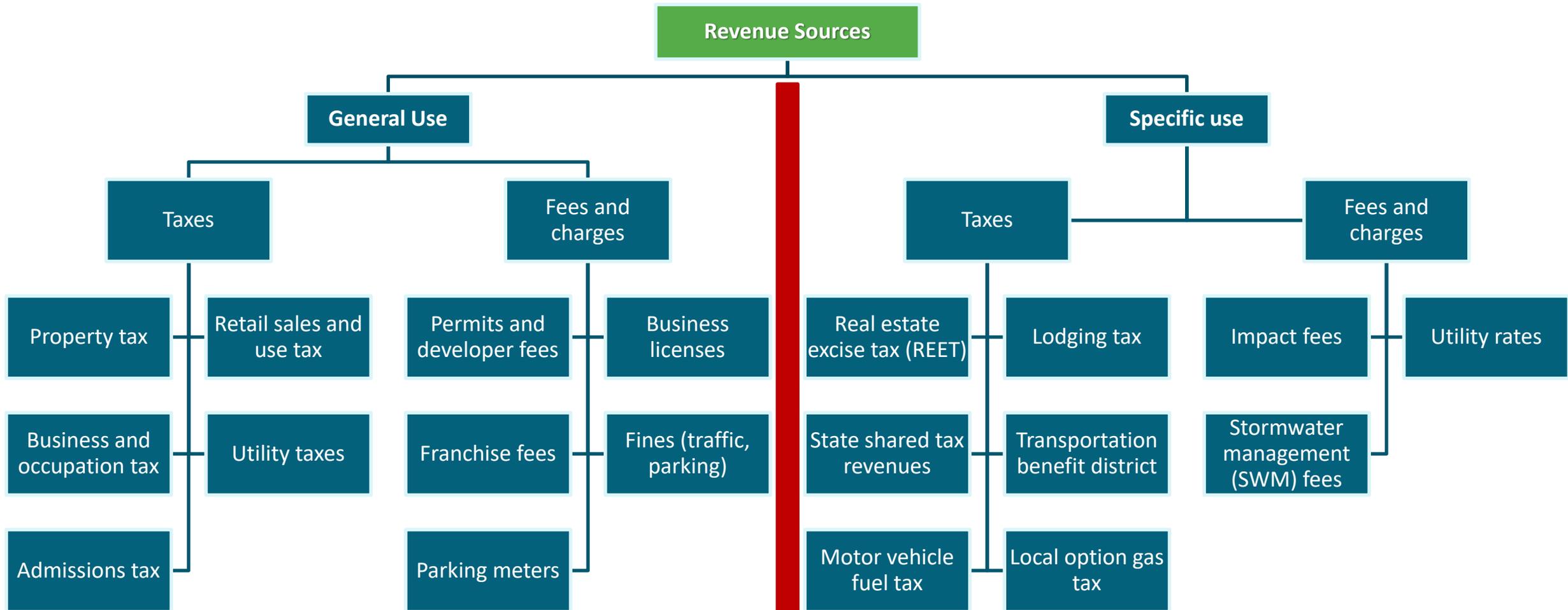
Fiscal Sustainability

- Use long-range forecasting to identify trends and/or fiscal gaps
- Develop plans to address fiscal gaps
- Refine forecasts and plans on on-going basis

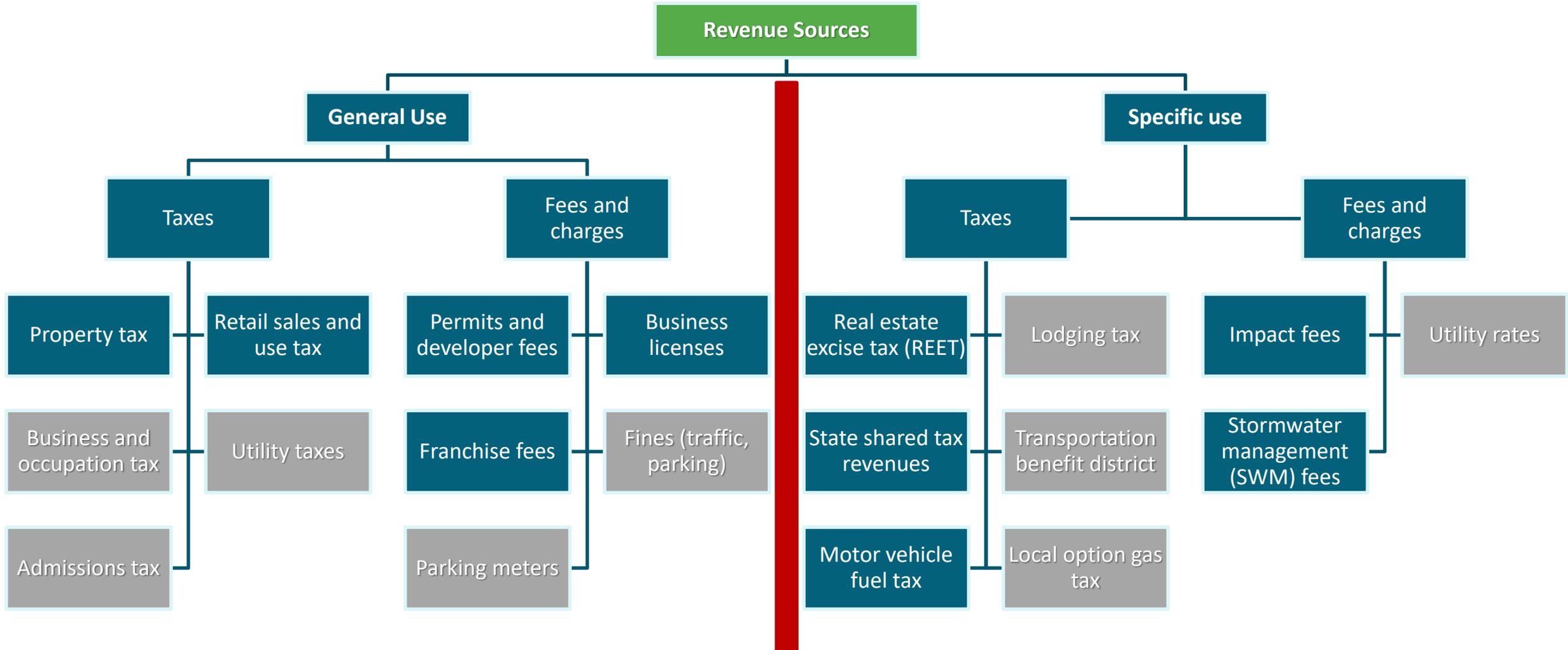
City's General Fund and Financial Forecast



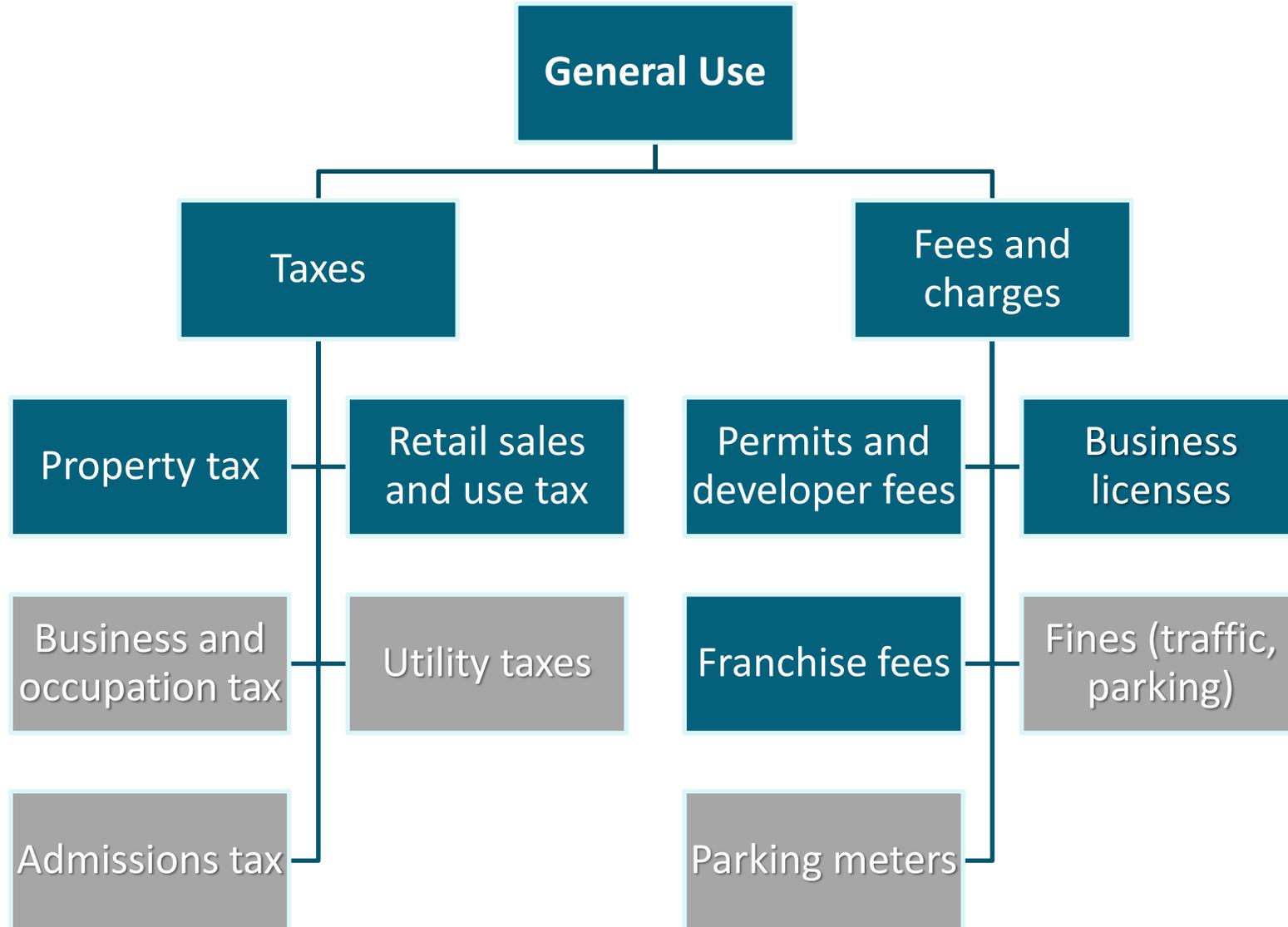
Ways that Cities Fund Their Operations



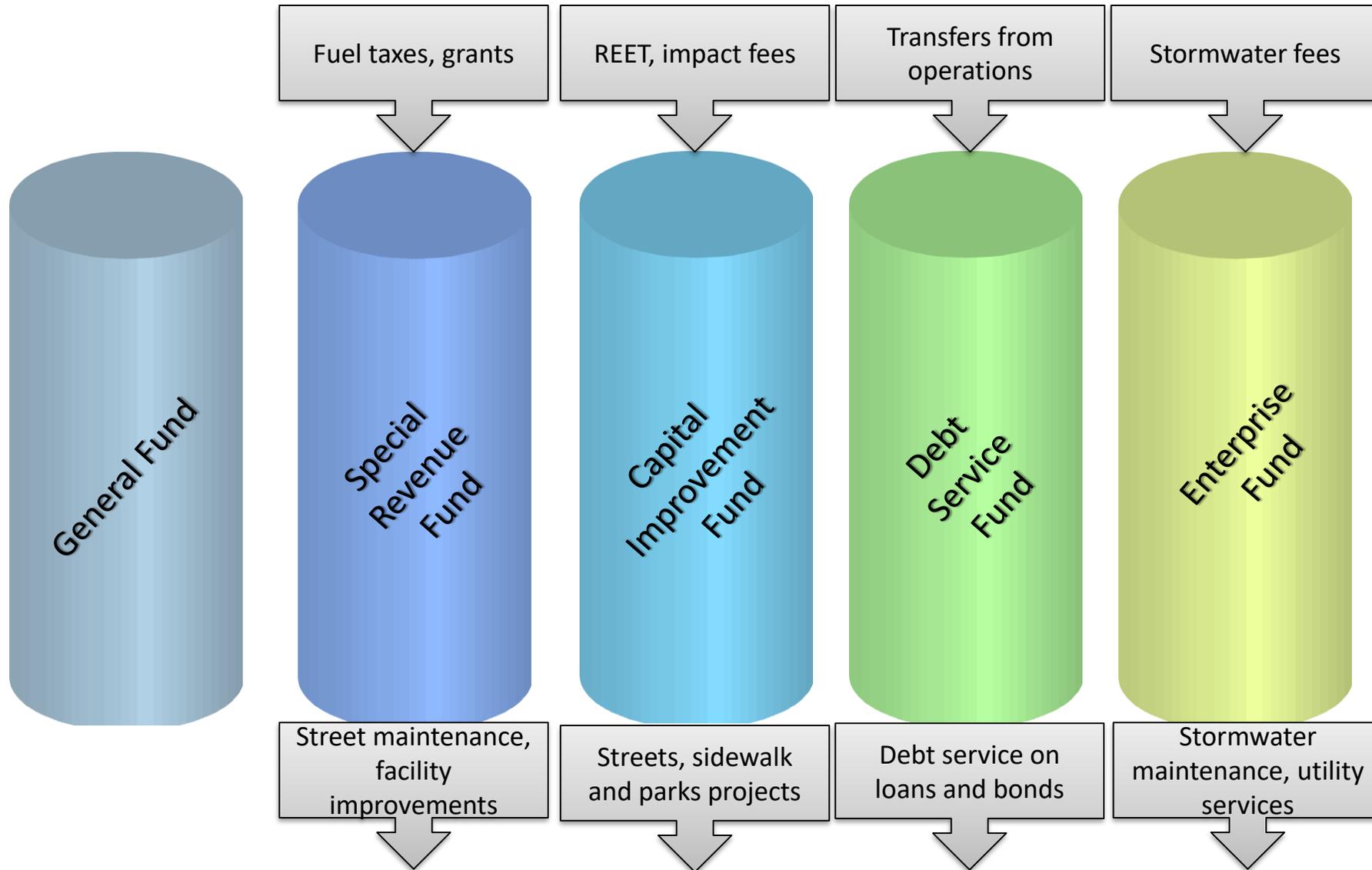
Ways that Newcastle Funds Its Operations



Newcastle's General Use Funds



Government Funds



General Fund

Revenue Sources

- Property tax
- Sales tax
- Planning and building permit fees
- Franchise fees
- Business licenses
- Lease revenue
- Facility rental
- Interest income
- Donations for special events

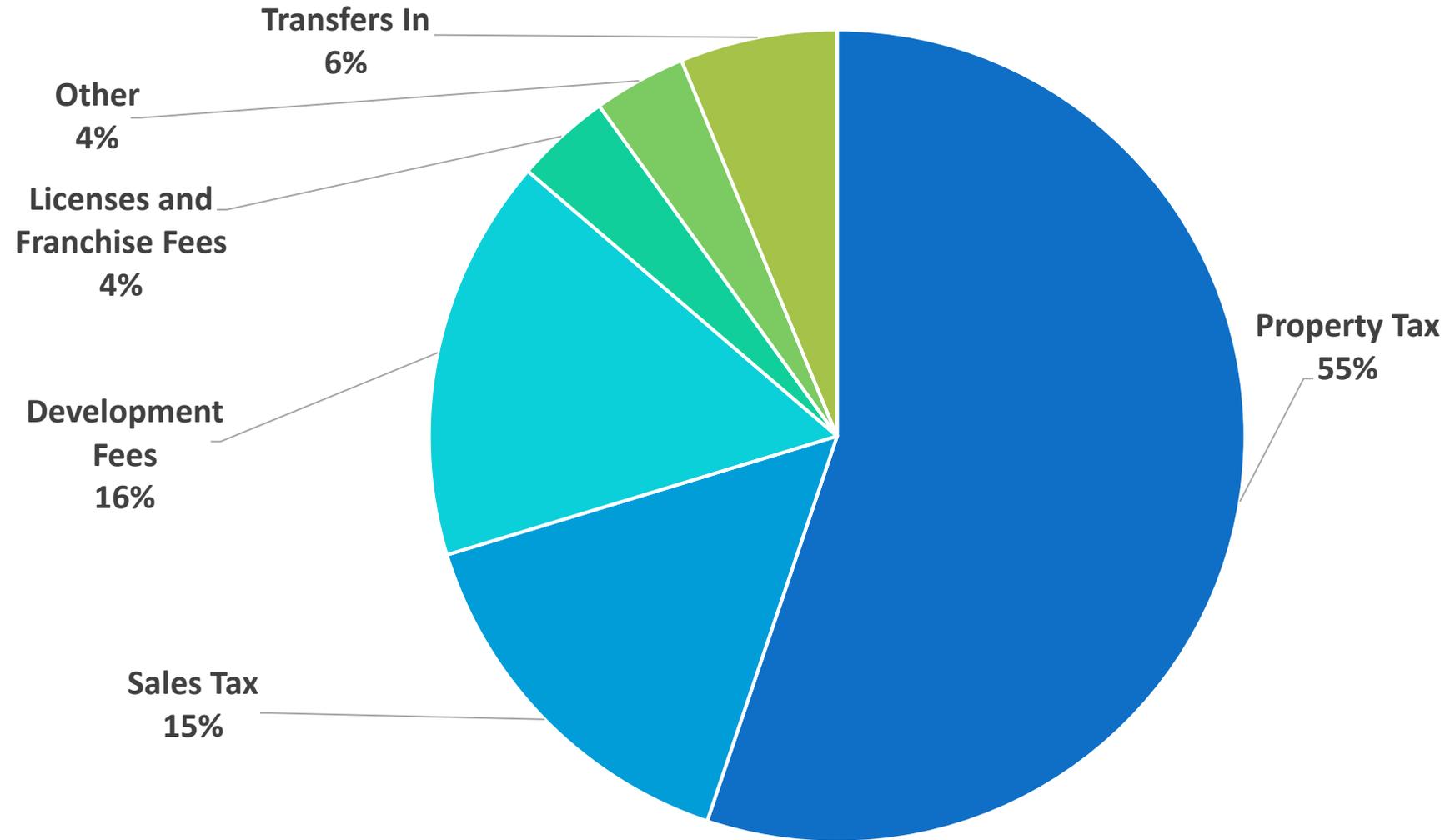


General Fund

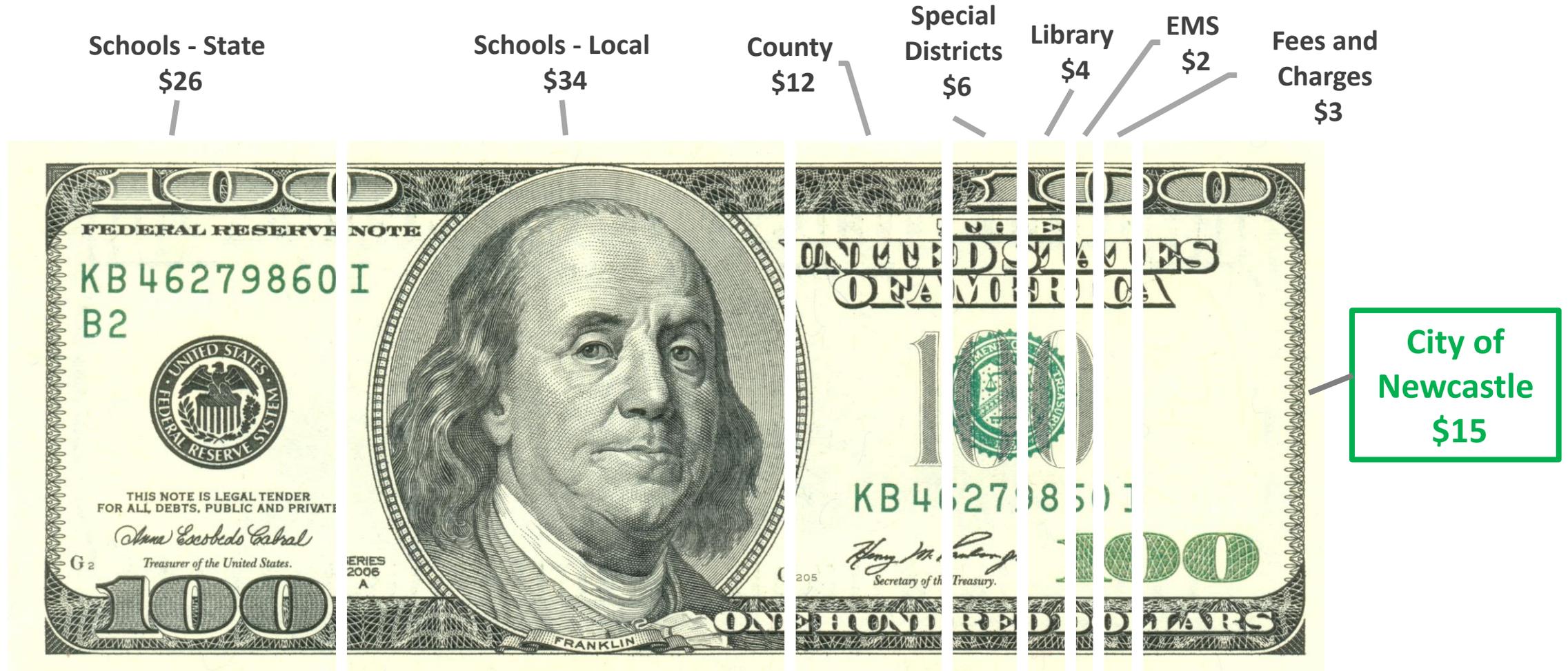
Expenditure Uses

- Police services contract
- Fire services contract
- Planning and Building
- Engineering services
- Community events
- Parks maintenance
- Finance
- Information technology
- Administration (e.g., City Council, City Manager, City Attorney)

Newcastle's General Fund Revenues - 2019



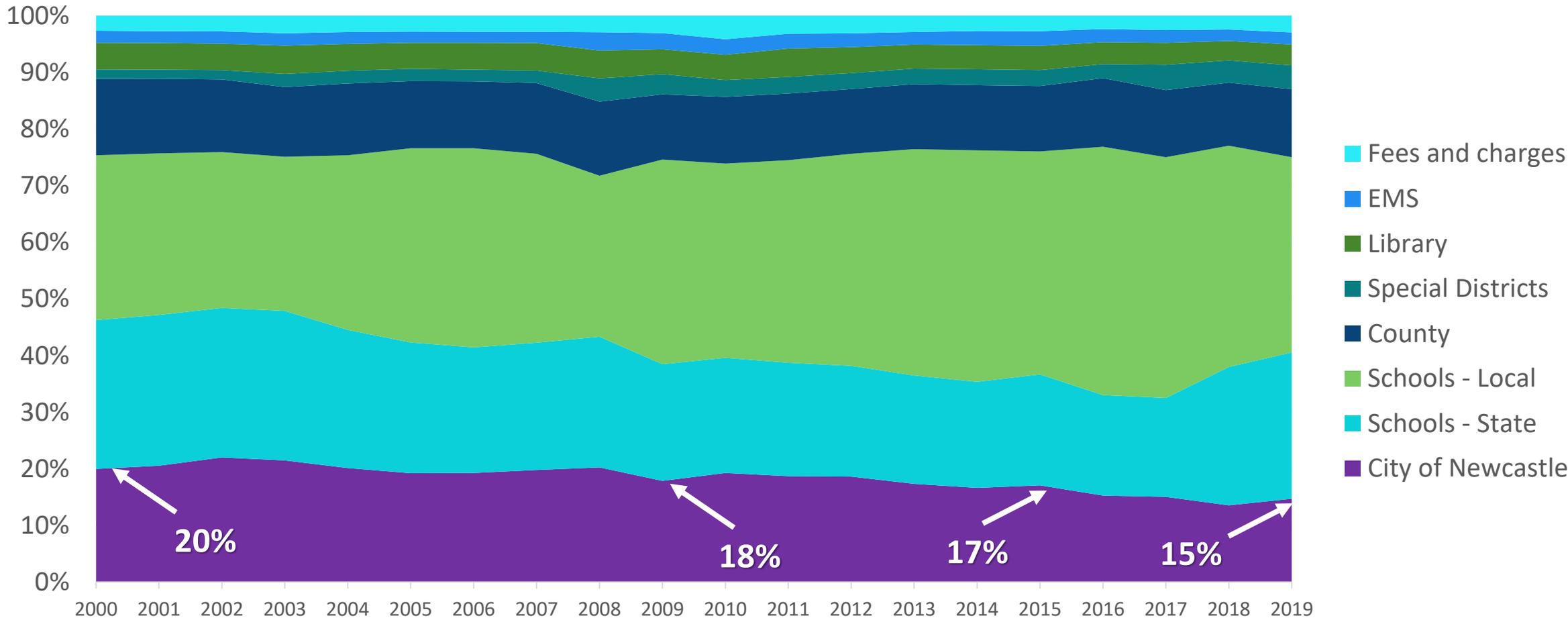
Where Your Property Taxes Go



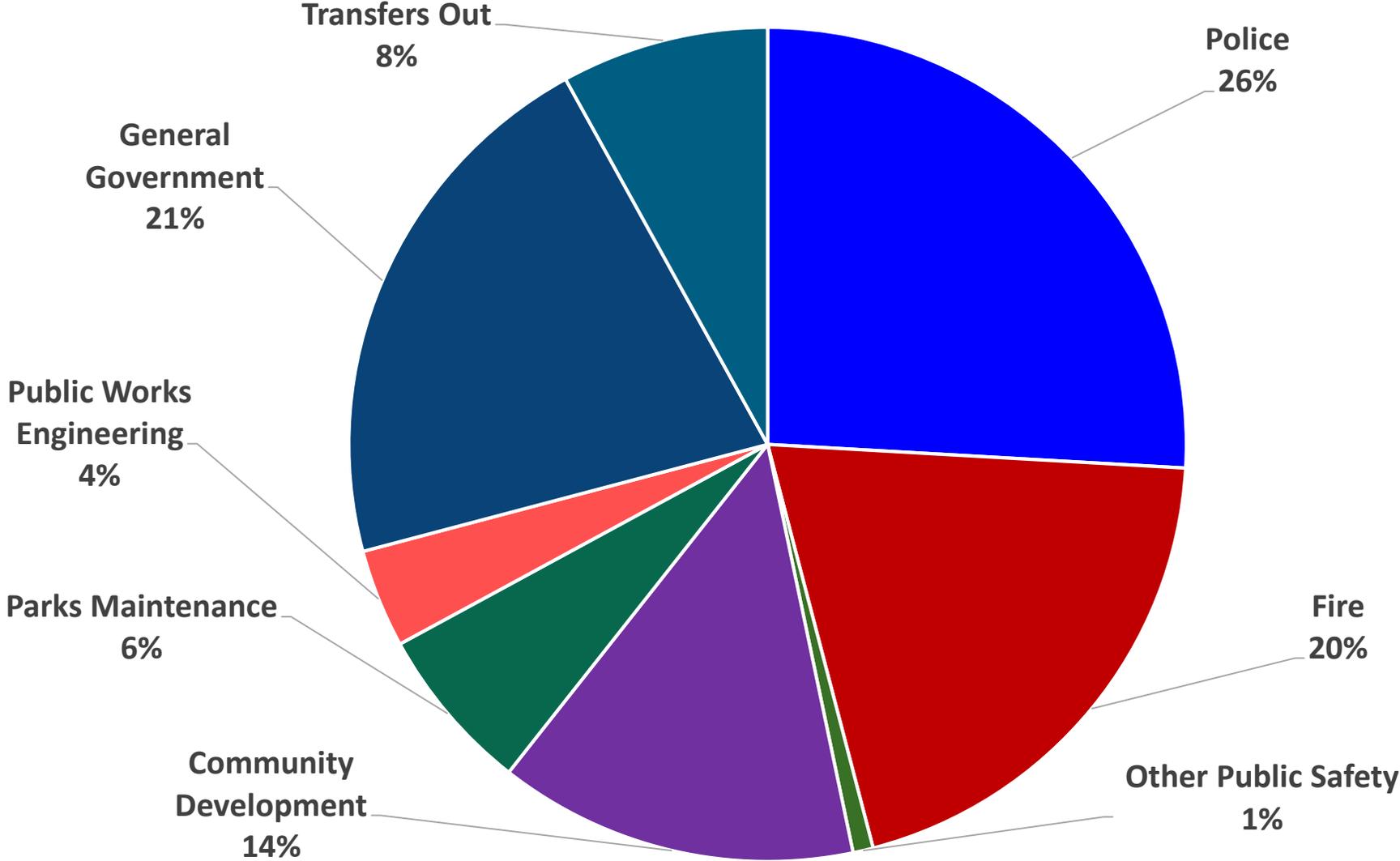
Source: Sample of King County Property Tax Bills, 2019

Historical Property Tax Allocation

Typical Newcastle Residential Property Tax Allocation Trend – 2000 to 2019



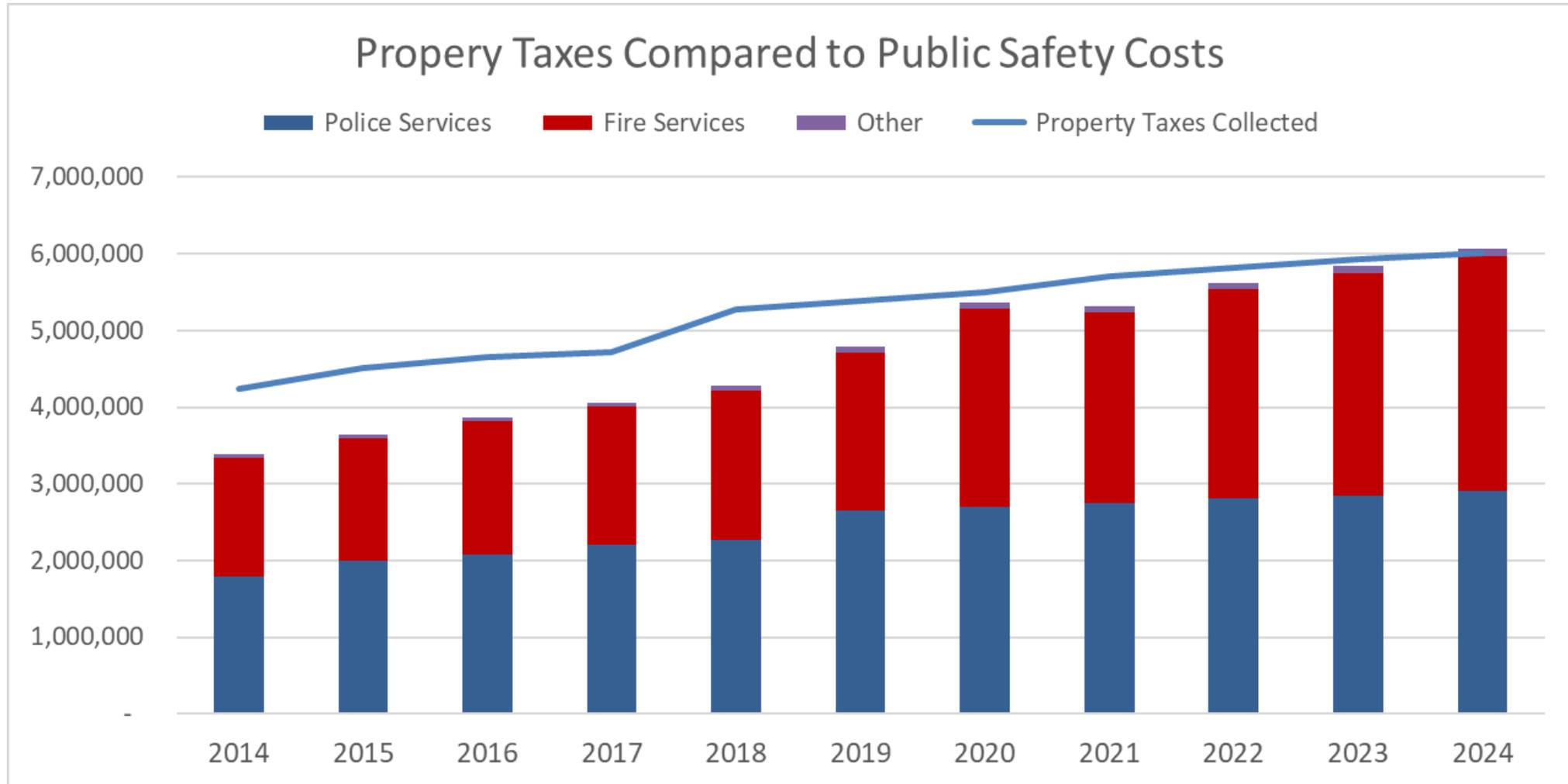
Newcastle's General Fund Expenditures - 2019



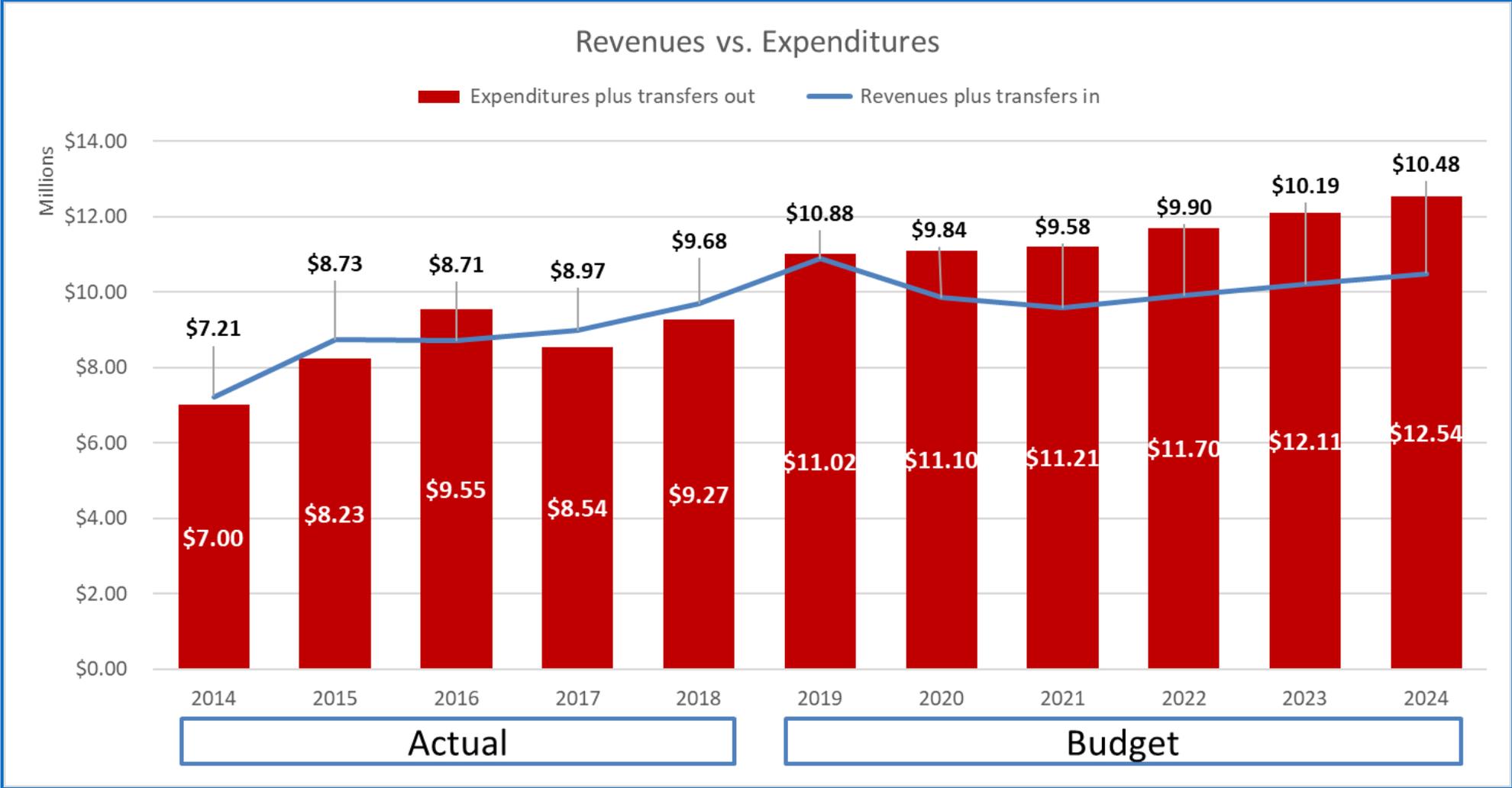
City's Financial Forecast



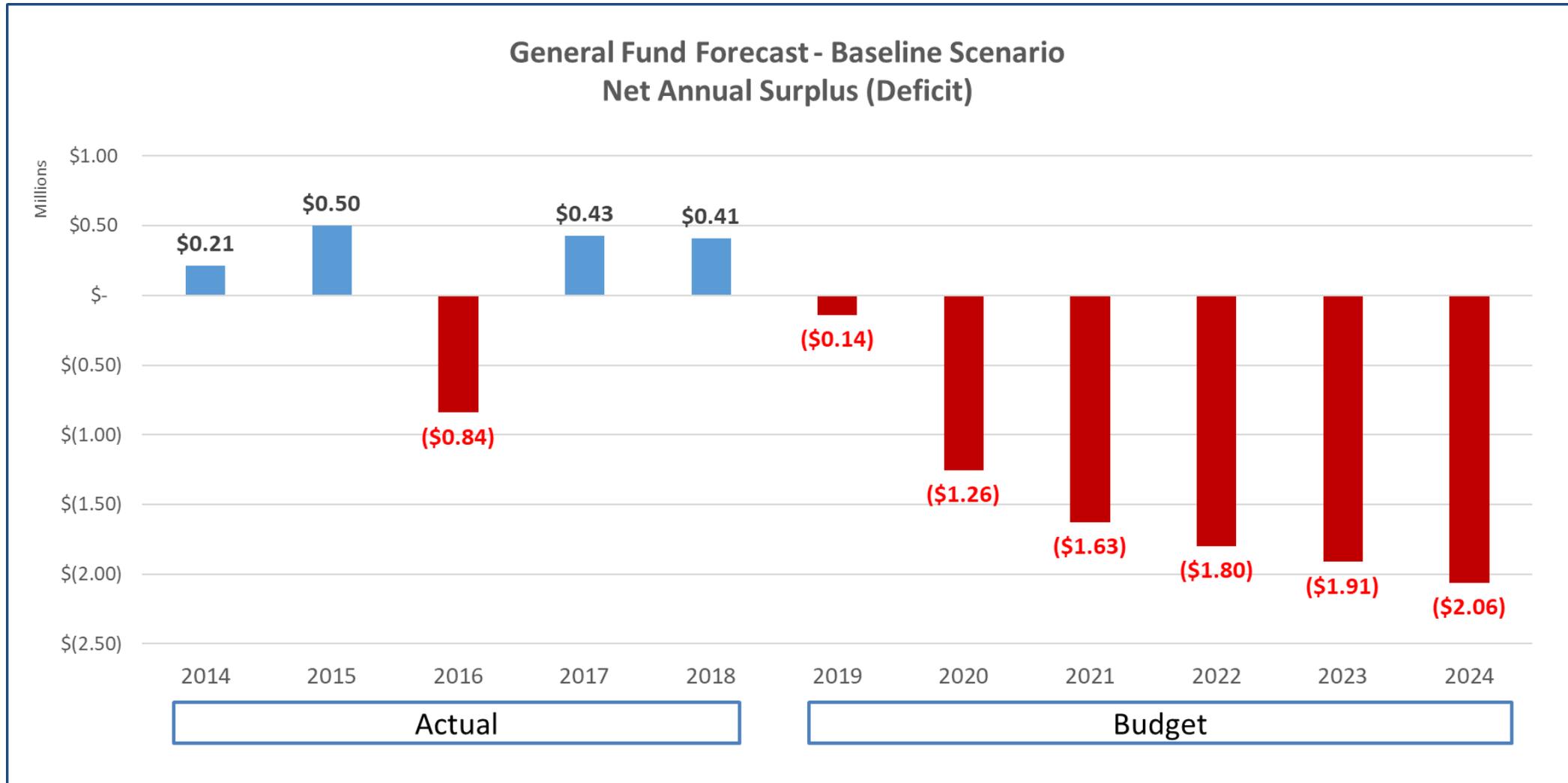
Funding Public Safety Services



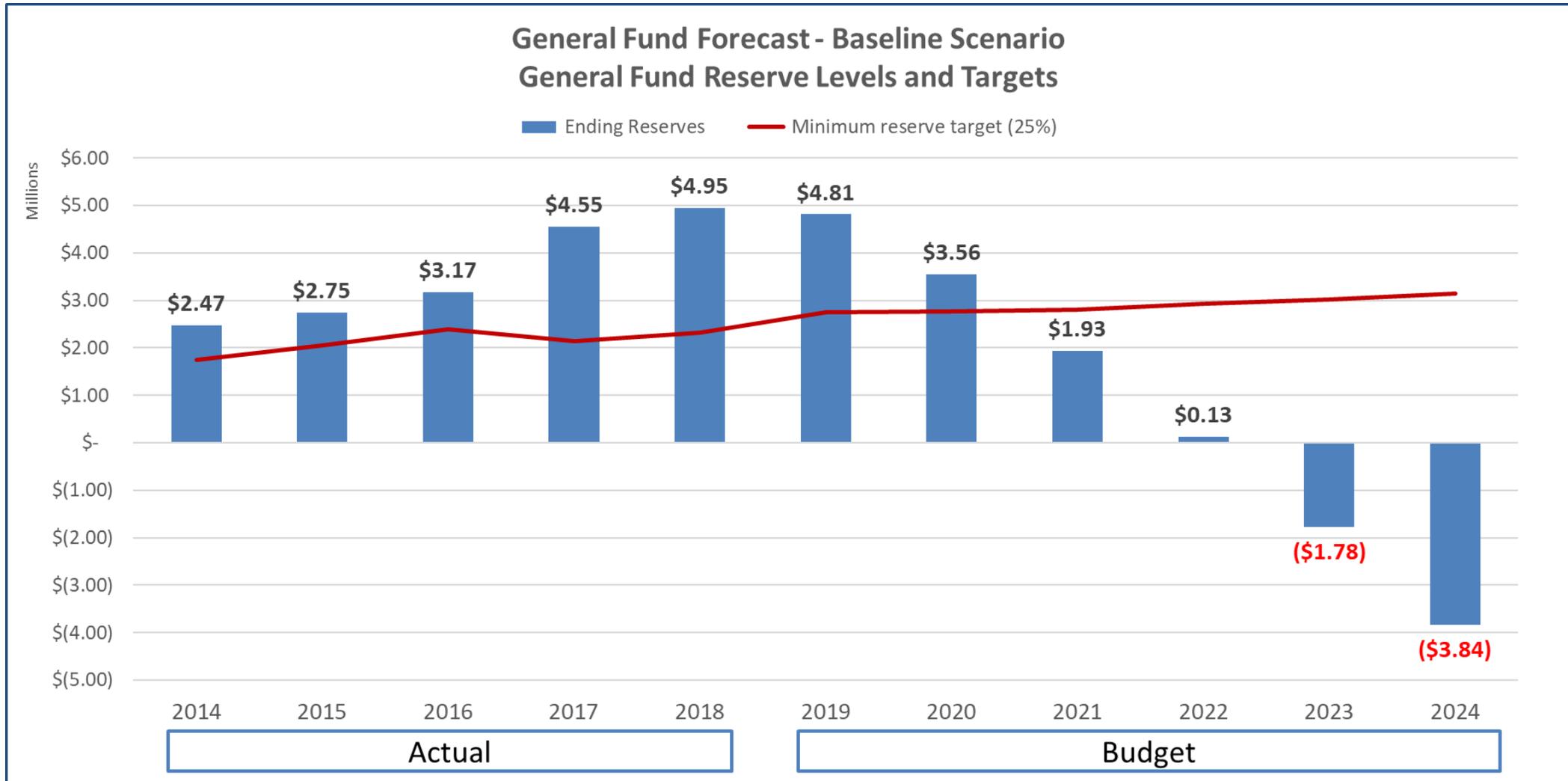
Diverging Revenues and Expenditures



Result – Structural Imbalance and Deficits Without Corrective Actions



Result – Structural Imbalance and Deficits Without Corrective Actions



Comparative Research Analysis

County	City	Population	Median Household Income	County	City	Population	Median Household Income
King	Bellevue	142,400	\$105,402	King	Sammamish	63,470	\$157,271
	Enumclaw ¹	11,660	\$55,082		Snoqualmie	13,450	\$136,508
	Issaquah	37,110	\$100,844		Woodinville ¹	11,830	\$102,006
	Maple Valley ¹	25,280	\$102,130	Benton	West Richland ¹	15,320	\$84,419
	Lake Forest Park ¹	13,090	\$101,429	Pierce	Edgewood ¹	10,990	\$90,544
	Mercer Island	24,270	\$136,644	Snohomish	Mill Creek ¹	20,470	\$93,063
	Renton ¹	104,100	\$70,661	King	Newcastle	12,410	\$118,333

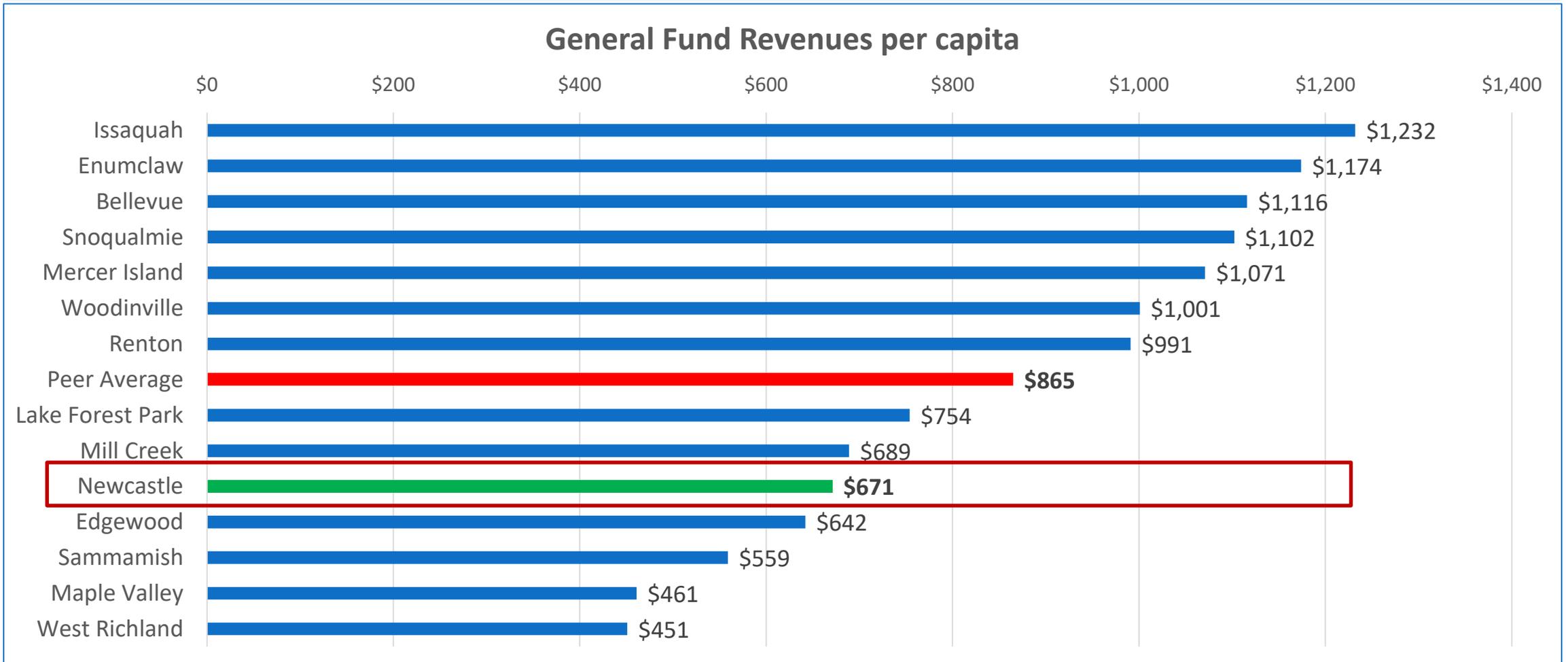
Note:

¹ – Fire services provided by fire protection districts, which are separately funded through property taxes and other fees and charges

Comparative Research Analysis

General Fund Revenues Per Capita

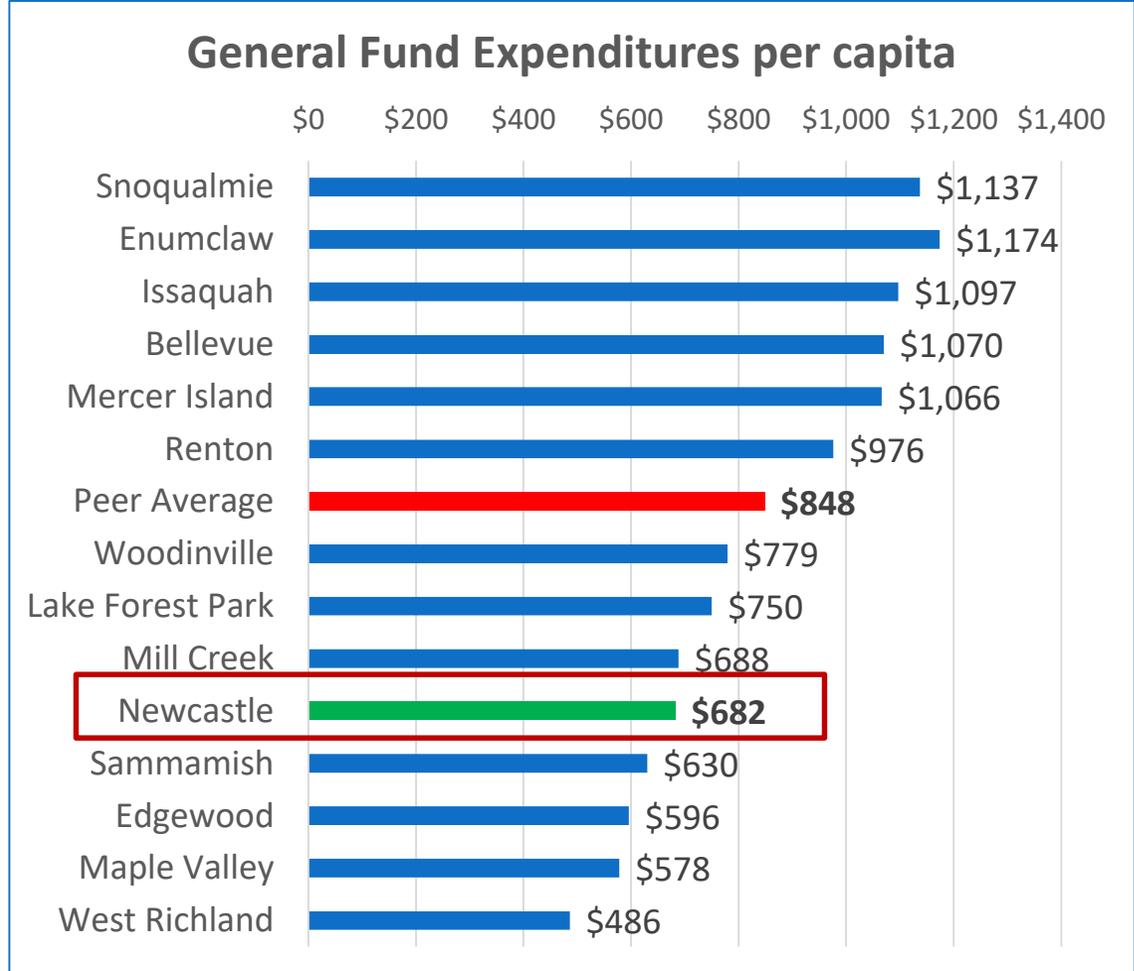
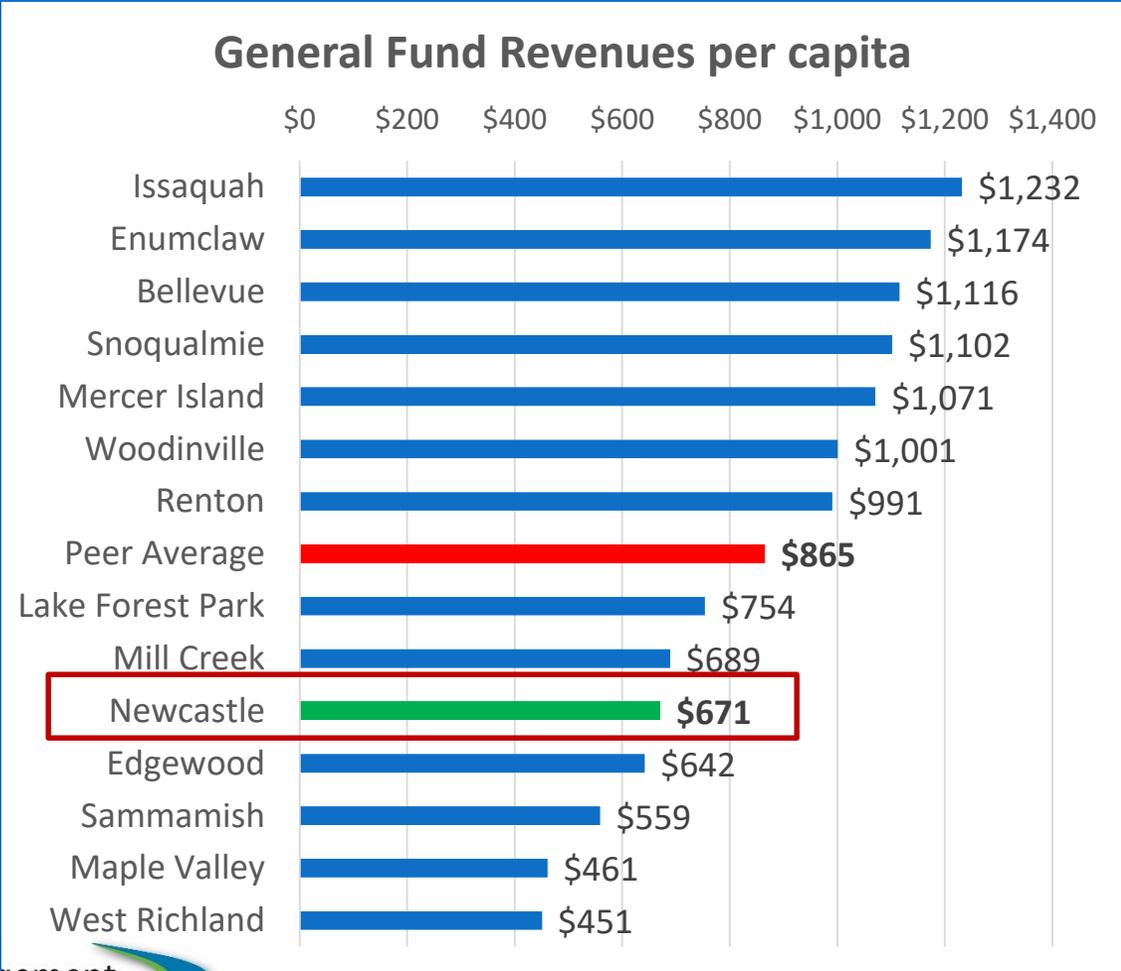
Newcastle's General Fund revenue per capita are below peer averages



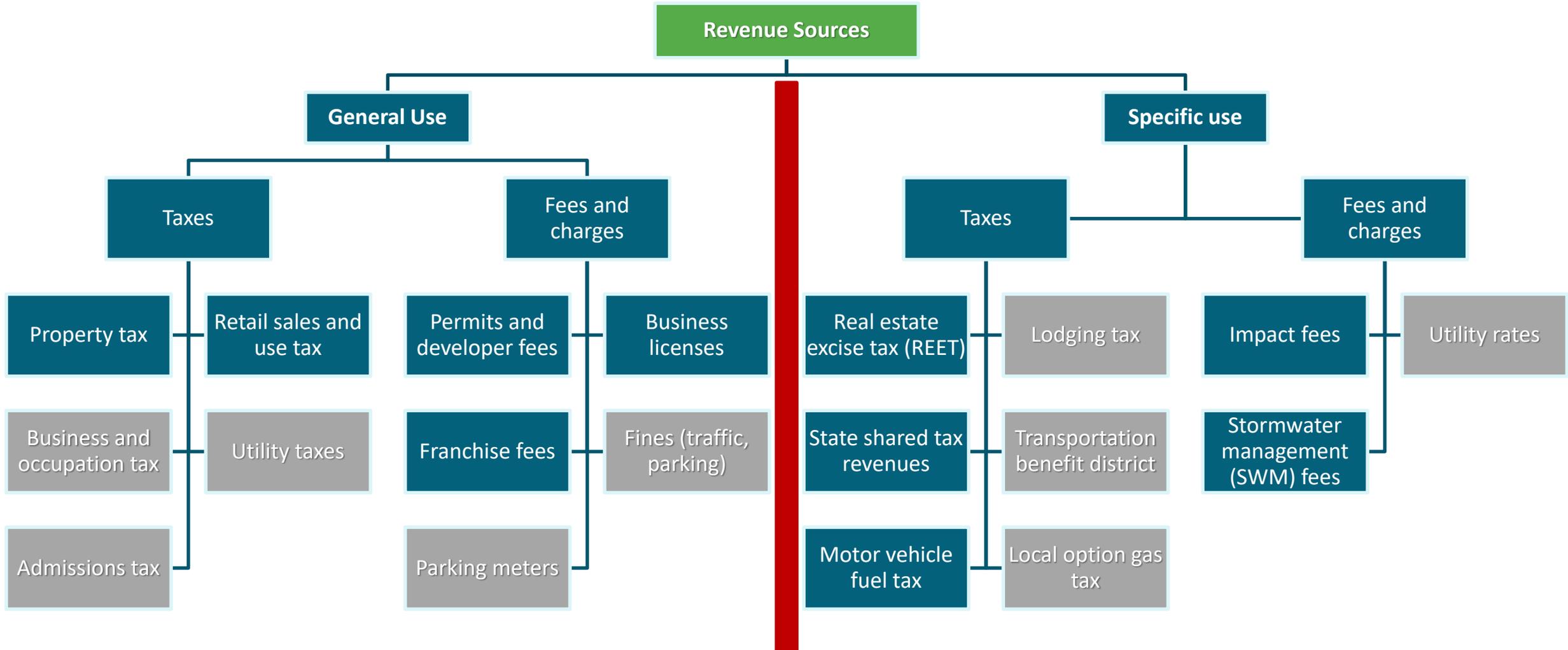
Comparative Research Analysis

General Fund Revenues and Expenditures Per Capita

Newcastle's General Fund revenue and expenditures per capita are below peer averages



Ways that Newcastle Funds Its Operations



Budget Strategy Types

A. Revenue enhancements

- Maintain service levels by growing available resources, either through increasing existing revenue sources, or creating new revenue sources

B. Expenditure controls and cost shifts

- Maintain service levels by reducing cost of services, or by shifting the cost of services to other funding sources or parties

C. Service delivery changes

- Maintain service levels through more cost-effective ways of delivering services

D. Service level reductions

- Necessary if the combination of the other three strategy types are unsuccessful in resolving the fiscal gap

Fiscal Sustainability Plan – Strategy Examples

Revenue Enhancements

- Property tax levy lid lift
- Local sales tax measure
- Enacting a utility tax
- Increasing solid waste franchise fees
- Increasing fees and charges to achieve full cost recovery

Expenditure Controls and Cost Shifts

- Implementing more efficient processes to reduce costs
- Reducing travel and training costs
- Sharing costs of health benefits with employees
- Renegotiating maintenance contracts
- Renegotiating service contracts

Fiscal Sustainability Plan – Strategy Examples

Service Delivery Changes

- Outsource fleet services
- Outsource median landscaping maintenance with private sector vendors
- Outsource public safety services
- Merge fire services with another city/fire protection district
- Share services for traffic signal maintenance

Service Level Reductions

- Eliminate special events
- Reduce parks maintenance
- Lower pavement management standards
- Reduce police officers
- Reduce City Hall office hours/impose work furloughs

Evaluating Budget Strategies

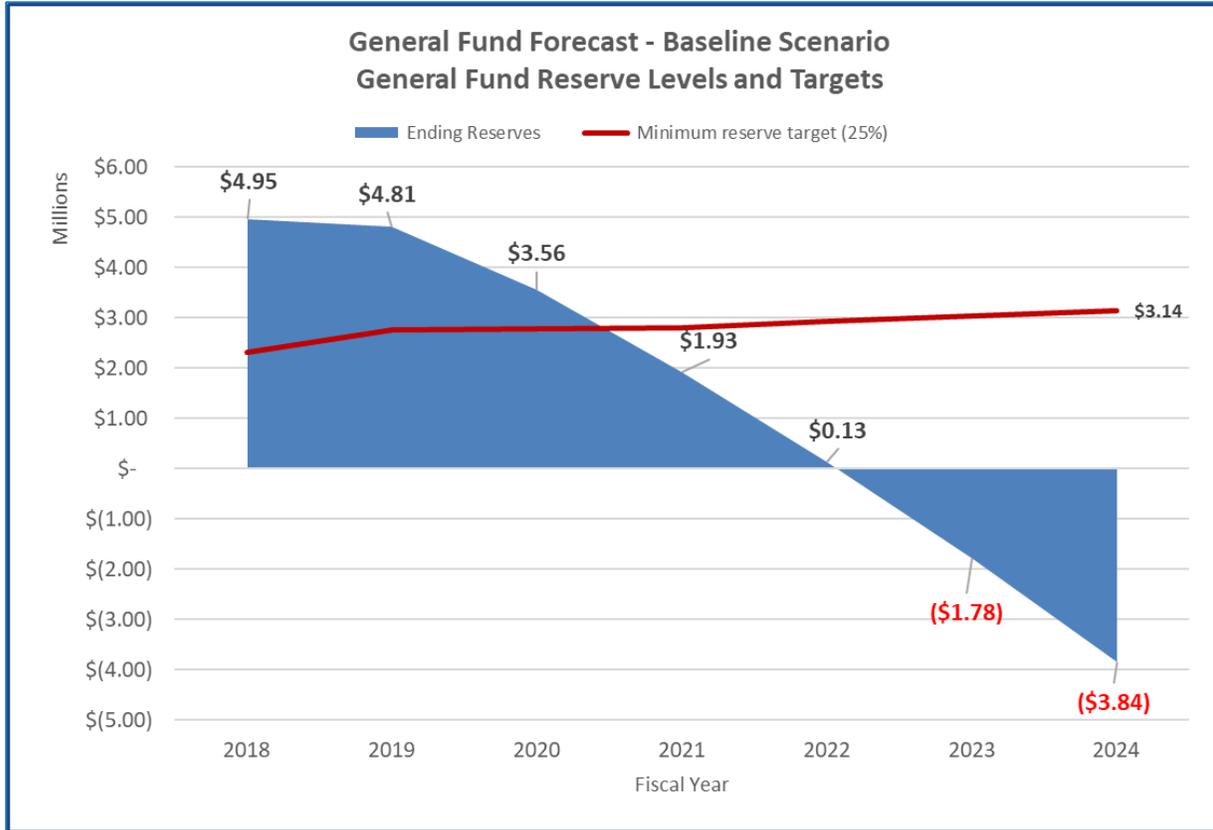
		<i>Potential Annual Fiscal Impact (est)</i>		
		Less than \$50,000	\$50,000-\$100,000	Over \$100,000
Difficulty of Implementation	Minimal difficulty	1	2	3
	Moderate difficulty	4	5	6
	Significant difficulty	7	8	9

Potential to Provide Fiscal Sustainability

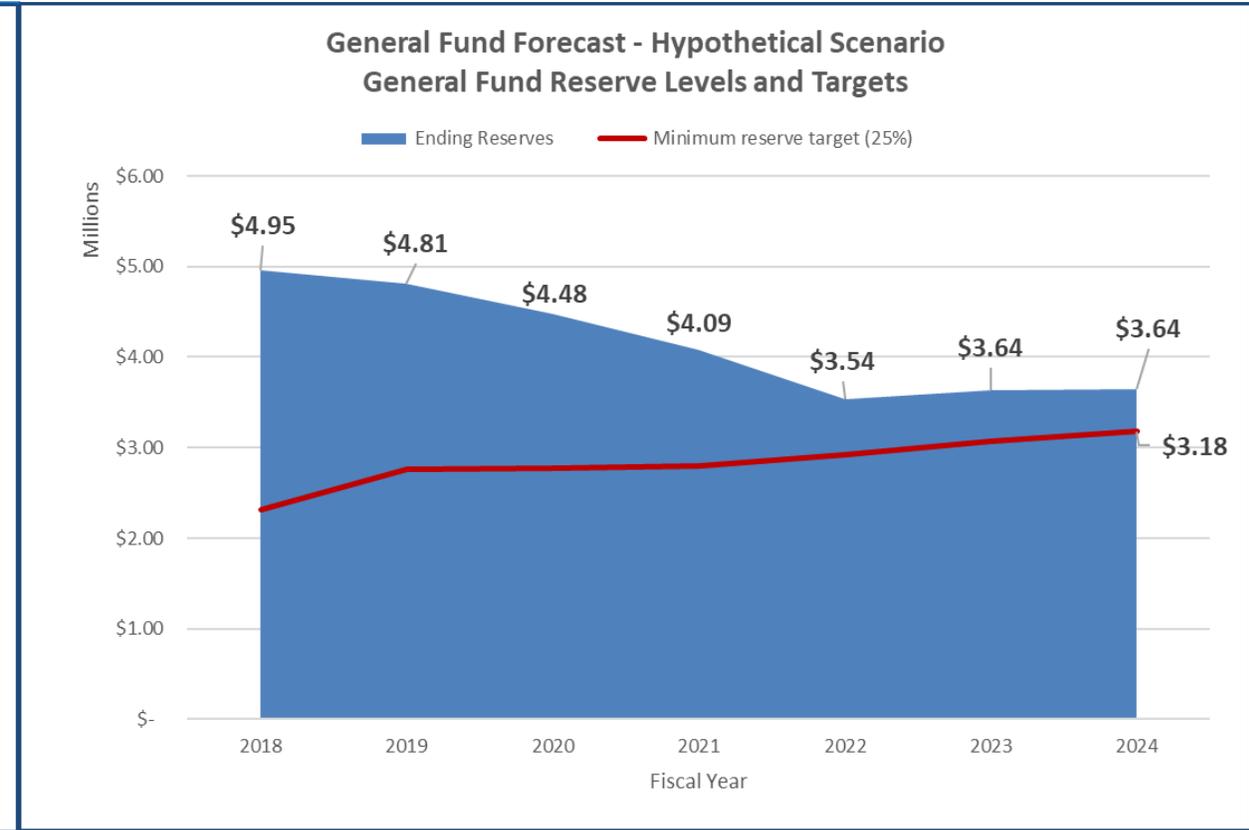
Great potential	High fiscal impact; minimal difficulty
Good potential	Medium/high fiscal impact; minimal/moderate difficulty
Moderate potential	Medium/high fiscal impact; moderate/significant difficulty
Low potential	Low fiscal impact; moderate/significant difficulty
Little/no potential	Low fiscal impact; significant difficulty

Reserves if Corrective Actions are Taken

Without Corrective Action



With Corrective Action



Next Steps

- **Fiscal Sustainability Plan – July 2, 2019**
 - Review budget strategy scenarios
 - Determine set of strategies that provide fiscal sustainability
- **City Council Retreat Budget – August 15, 2019**
 - Review preliminary budget figures for 2020
 - Establish budget priorities based on fiscal sustainability plan

Thank You!

Contact Information

Steve Toler, *Partner*

stoler@managementpartners.com

Management
Partners



Questions & Answers to City Council



Town Hall Presentation
June 18, 2019

Audience Questions

MC – Christine Butterfield, Management Partners

Questions or Comments

1. Raise your Hand - we will bring the microphone to you
2. State your name
3. Briefly ask your question (1-2 minutes)

