



CITY COUNCIL AGENDA BILL 19-29

AGENDA BILL NO: 19-29

TITLE: Fiscal Sustainability Plan Discussion

TOTAL PAGES:

ORIGINATING DEPT: Executive

EXHIBITS:

1. Link to Fiscal Sustainability Plan
www.newcastlewa.gov/fiscalplan (Scroll to bottom of page)
2. Updated Blended Scenario

SUMMARY: Continued discussion of the draft Fiscal Sustainability Plan and selection of a preferred scenario.

SUMMARY

A discussion of the Fiscal Sustainability Plan with a focus on the updated “blended scenario” as a preferred option for an implementation action plan.

BACKGROUND

Per City Council Operating Policies and Procedures Section 8.03(D)(3), Councilmembers Simpson and Magers requested that a discussion of the Fiscal Sustainability Plan with an updated “blended scenario” be brought back before the City Council at the November 19, 2019 meeting.

DISCUSSION

Management Partners has been working with the City of Newcastle during the past year to identify potential budget strategies to address the City’s General Fund fiscal gap identified in its six-year forecast. The following actions have been taken to date:

Independent analysis of the City’s six-year forecast. Management Partners conducted an independent review of the City’s General Fund forecast in December 2018 and offered several recommendations that would improve the forecast. The fiscal dashboard created indicated that the City’s General Fund was projected to have an annual fiscal gap where expenditures and transfers would exceed revenues growing up to \$2 million per year by 2024. Without corrective action, reserves would be almost fully depleted by 2022 and in a deficit position by 2023.

Development of budget strategies. Management Partners then conducted an analysis of various budget strategies that would address the fiscal gap and bring fiscal sustainability to the General Fund. A combination of revenue enhancements, expenditure controls/cost shifts, service delivery changes, and service level reductions were identified, and Management Partners presented three different budget scenarios that included a mix of these budget strategies that would address the fiscal gap if they were successfully implemented. These scenarios ranged from revenue-centric to expenditure-centric solutions. These were presented to the City Council at its May 14, 2019 meeting. The City Council did not decide on any specific set of strategies, but instead directed staff to move forward with a community engagement initiative as part of the City's annual Town Hall meeting before selecting any strategies for implementation.

Town Hall Meeting on Fiscal Sustainability Issues. The City Council held a Town Hall meeting on June 18, 2019 to share information regarding the City's financial condition and to obtain input from the community on their perspectives based on the information shared. Management Partners presented an overview of the City's financial condition. Community members asked questions and provided their opinions regarding the City's financial condition and services.

City Council review of budget strategies after the Town Hall meeting. The City Council then met on July 2, 2019 to review the previously presented budget scenarios in light of the discussions held at the Town Hall Meeting two weeks prior. The Council determined that the timing was not right regarding the selection of any set of strategies, however there appeared to be majority consensus forming regarding a set of strategies that would address the fiscal gap via a blending of scenarios as recommended for consideration by the Finance Committee. Council's direction was to discuss budget options at its August 15, 2019 retreat and move forward with preparation of the 2020 annual budget.

The next step in the process is to provide direction on what specific set of strategies should be incorporated into the final plan document to serve as an implementation action plan. This final version of the plan would be brought back to City Council for adoption via resolution.

ACTION RECOMMENDED

Provide direction to staff on what elements to include in a final Fiscal Sustainability Plan.