

Sustainable Growth Rate of Taxes

Finance Committee Public Hearing
November 7, 2019

Finance Committee

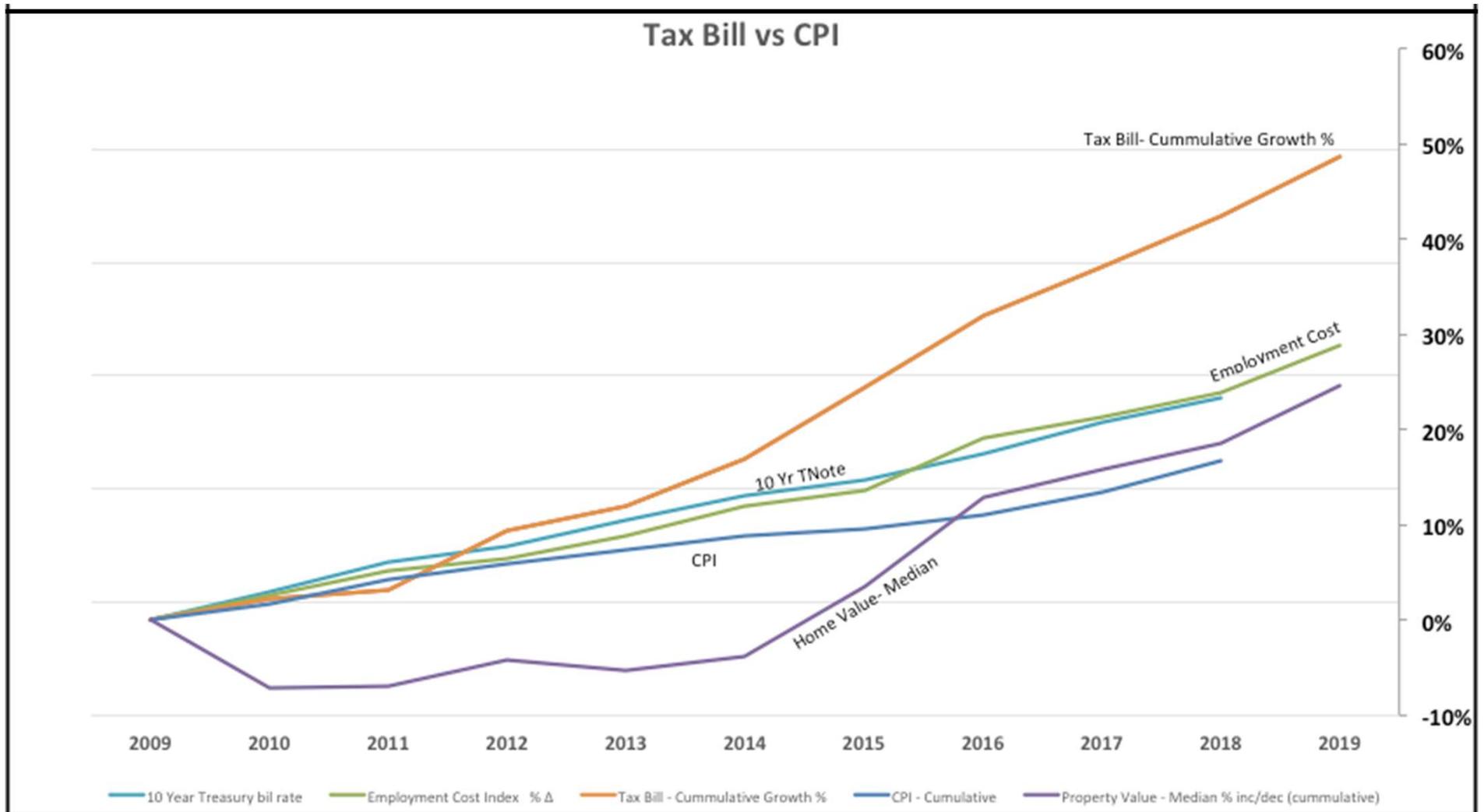
Roles and Responsibilities

- Primary Financial Advisor to Town Meeting
- Consultation on Operating Budget Formation
 - Town Manager's Budget
 - School Budgets (CPS (K-8), CCRSD and MMTech
 - Issue Guidelines
- Provide 5 year tax projections

Operating Budget Development Consultation

- Annual meetings with budgeting entities
 - Review of specific budget drivers
- Review of annual Town Survey
- Evaluation of economic factors
 - Macro trends (Inflation, Wage Growth, etc)
 - Local housing costs

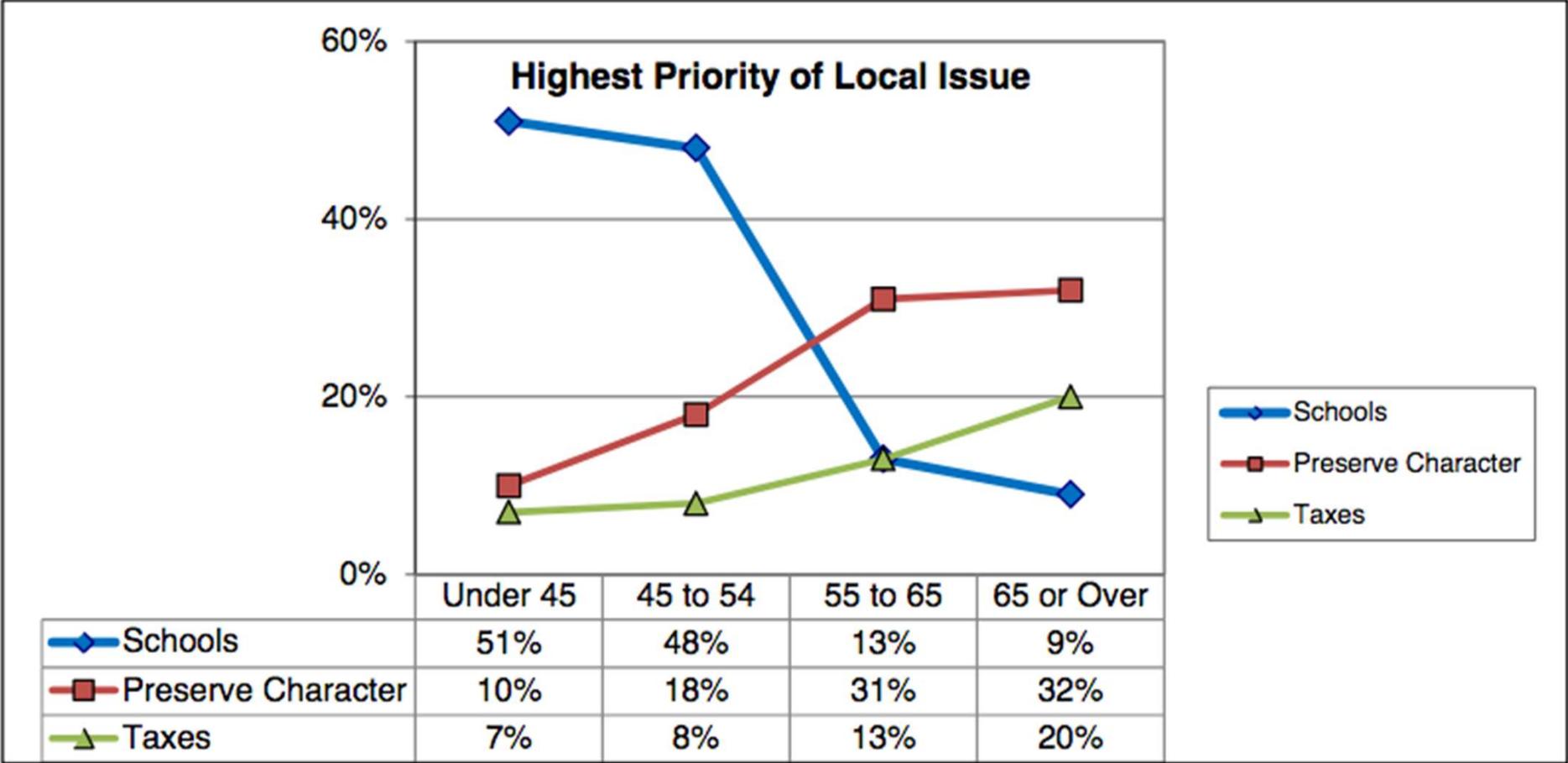
External Economic Factors



Housing 'Stress' Indicators

- Spending >30% of household income on housing is defined as 'Housing Stress'
- 1 in 5 households at or below 50% of Median Area Income
- 1 in 5 Households at or below the Median Area Income exhibit 'Housing Stress'

Top Three Town Priorities

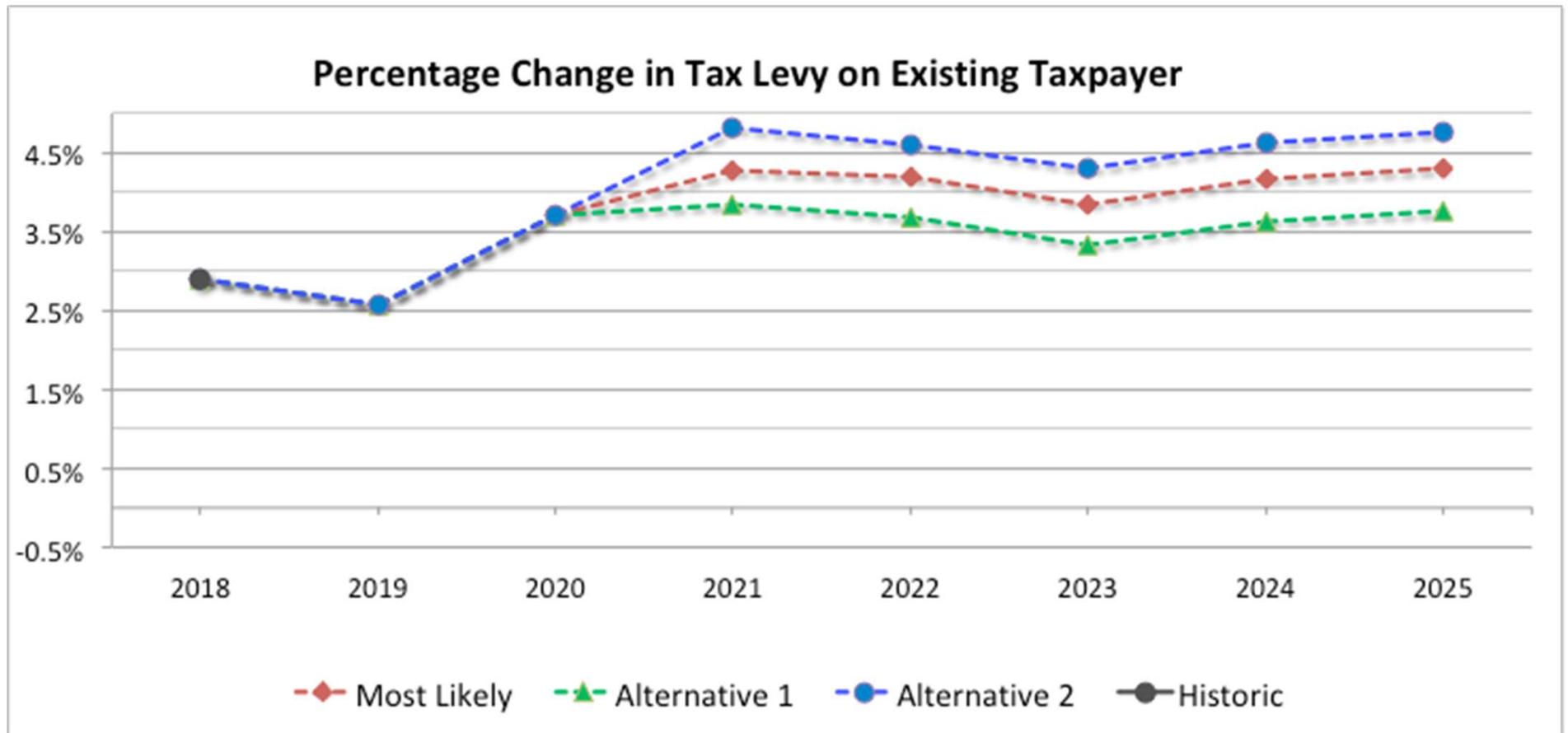


The Initiative

5 Year Advanced Guidance

A “Sustainable Growth Rate” for Taxes

Current Projection Practice



What is a Sustainable Tax Rate?

“A rate which maintains the Town’s economic soundness, financial strength, and flexibility through keeping a level of excess levy limit capacity so that general overrides are not necessary; maintaining a free cash balance; continual investment in ongoing capital needs; and in avoiding burdening taxpayers beyond normal expectations of income growth [*and allowing the Town to maintain its character*] without undermining the diversity of our population”

- *Adopted June 2018 [Chair revision 2018]*

Comprehensive Long Range Plan

Fiscal Goals

- Ensure that the distribution of the tax burden allows Concord residents to remain in Concord.
- Provide high quality infrastructure through sustained, regular investment at the lowest reasonable cost.
- Maintain stable operating budgets that consistently improve Town services and School programs, that treat all Town and School employees fairly, and equitably distribute financial resources among Concord citizens.

Sustainable Growth Rate

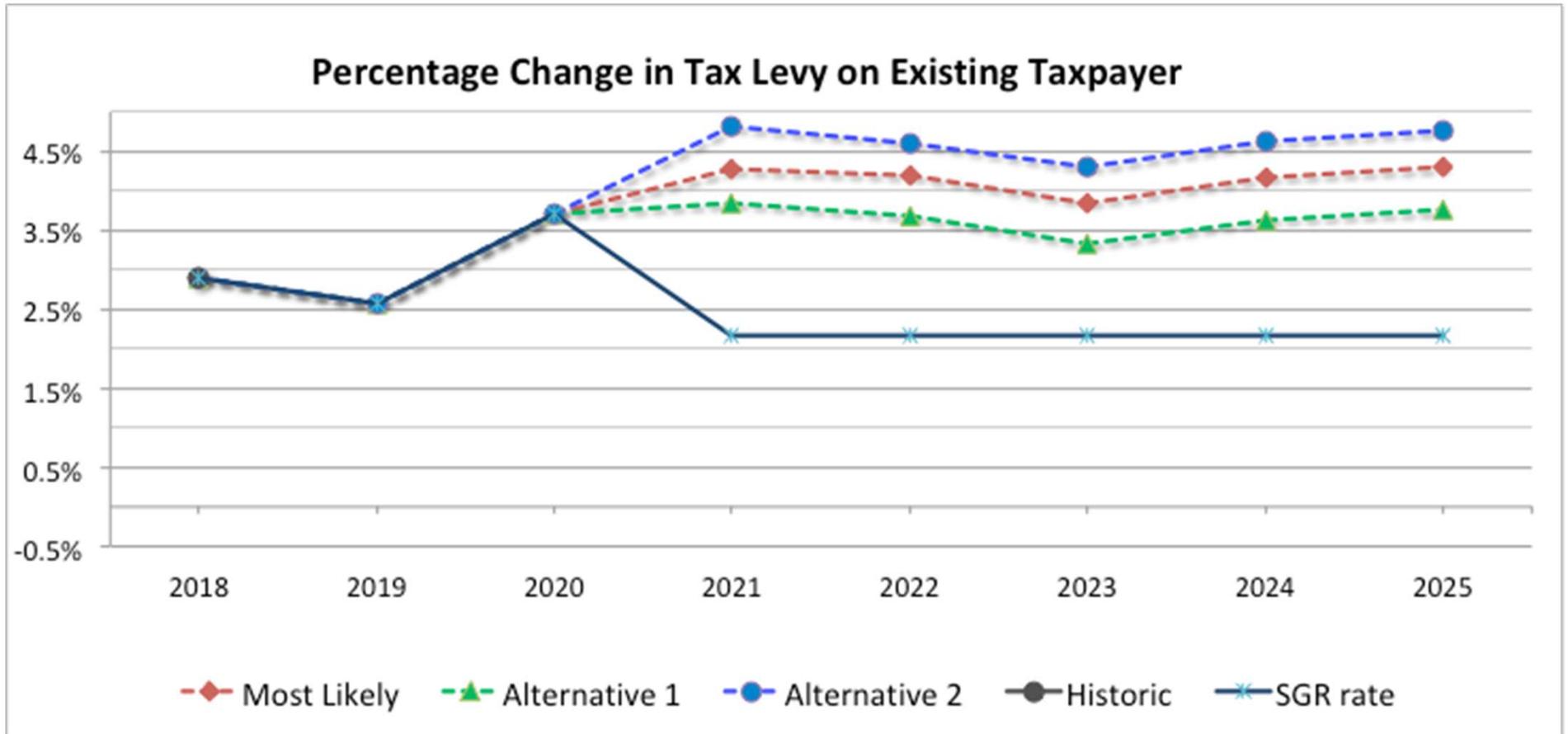
Practical Definition and Uses

- A Finance Committee action
 - Provide 5 year *forward* advice
 - Consistent with Concord Long Range Plan Goals
- Helping support multi-year commitments
 - Collective Bargaining Agreements
 - Leases and Service Agreements
 - Planning the timing of capital projects

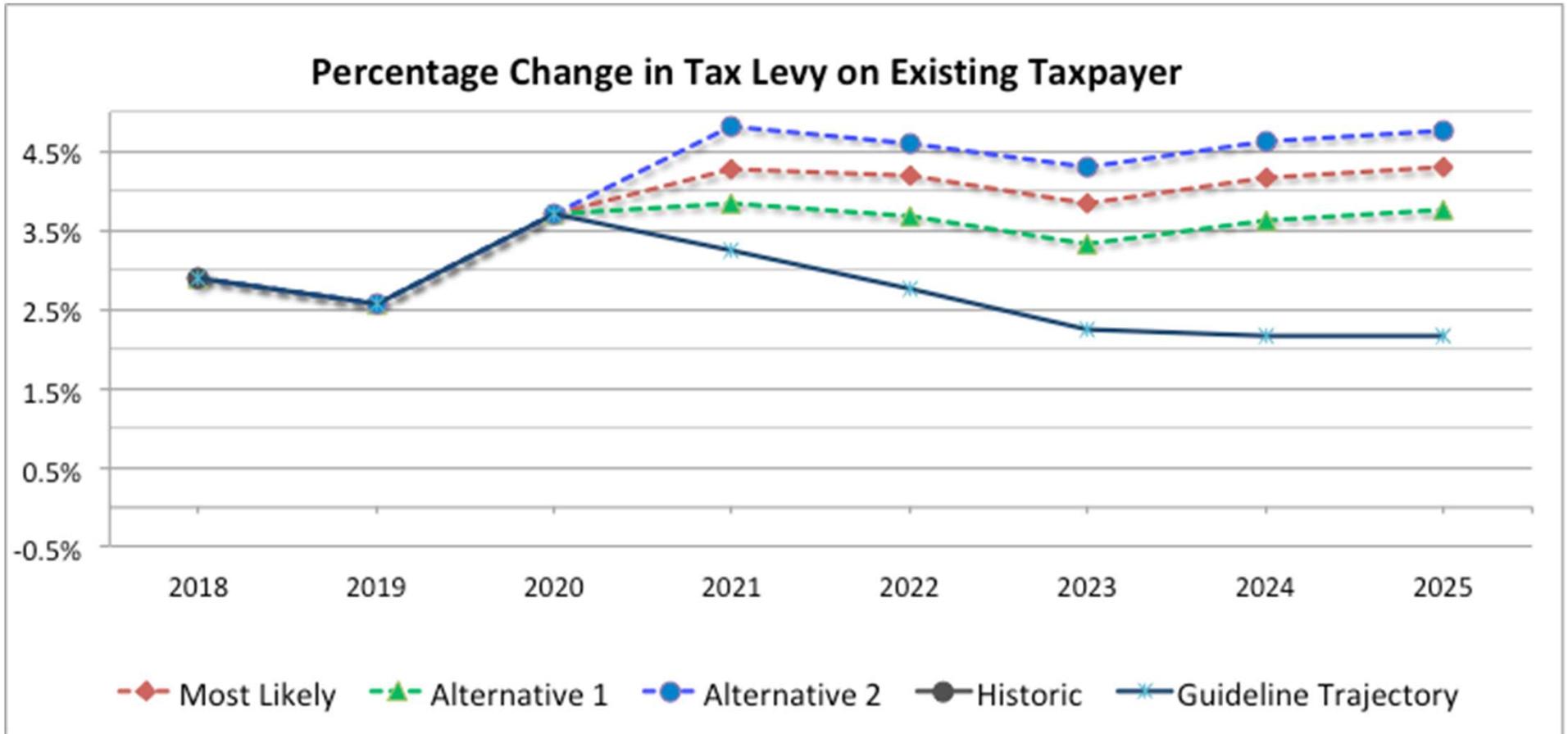
Process

- ✓ The FinCom will publish a 5 year forward rate each year, as of July 30th
- ✓ This rate will be provided as guidance during annual budget formation consultations
- ✓ It will be used as an input during guideline setting discussions
- The 5 year forward rate will be reassessed each year

2019 SGR Rate: 2.16%



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Questions and Comments