

Preliminary Thoughts for Concord Finance Committee on Guidelines for Guideline-setting, Or "The Alchemy of Operating Budget Guidelines Setting"

The Concord Finance Committee Guidelines process focuses on setting budget increase/decrease guidelines for the three "budgeting entities" (Town, Concord Public Schools, and Concord-Carlisle Regional School District). The Guidelines may be thought of as the absolute amount of money recommended to be added to the operating budgets of the Town and Schools or as the percentage increase/decrease in the portion of the tax levy that covers the operating budgets, or both.

What is the method by which the Finance Committee arrives at its Guidelines recommendations? Every year the Finance Committee struggles with the process, for which no formula or specific guidance can be found in the Town Charter, Bylaws or Administrative Code. This memo proposes ideas to guide in the establishment of guidelines for setting the Guidelines for future town budgets.

Guidelines-setting involves consideration of:

1. "What do Concord citizens value and what benefits do they receive?"
 - a. Program goals expressed by both of our elected bodies (Select Board & School Committees);
 - b. Benefits received by citizens, as measured by town and school system "quality" metrics;
 - c. Efforts being made by town & schools to improve quality and productivity of services;
 - d. Trends in real estate values in Concord;
 - e. Taxpayers' "willingness to pay" for regular and extraordinary expenditures, expressed in Town Meetings as well as past debt exclusion & levy limit override votes;
 - f. Other program/budget priorities, as expressed in Town Meeting and other public fora.

2. "What is needed to maintain or expand current services?" This involves consideration of:
 - a. Proposed budgets, in context of historical trends & impact on medium-term projections;
 - b. Extraordinary factors that affect proposed budgets, such as student enrollment, SPED enrollment, population growth or population shifts between Concord & Carlisle;
 - c. Other drivers/factors that shape the budgets (e.g. labor contract commitments);
 - d. Comparison of expenditures in Concord with those in "reference" communities, and (to the extent possible) comparison with performance metrics in those communities;
 - e. Analysis of Concord's property tax rates & bills, over time and relative to "reference" communities; and,
 - f. Level of citizen satisfaction with benefits received and taxes paid, as measured biannually by town survey of Concord citizens.

3. "What is the impact of proposed budgets on existing taxpayers: what level of increase is allowed under the Prop 2 ½ levy limit and what level of increase is 'affordable'?" Here we may consider:
 - a. How will budget changes affect the total levy to be raised and thus what increases will be asked of taxpayers, given our understanding of a) other expected costs (outside of operating budgets) and b) expected new growth;
 - b. Levy limit analysis;
 - c. Affordability analysis: tax rates, tax bills relative to incomes;
 - d. Economic analysis of variables affecting households in Concord, their perceptions of economic security, and hence their "willingness to pay" property taxes, including levels, rates or trends in unemployment, inflation, incomes, income distribution, home prices, and other indicators of economic health or risk;
 - e. Rating agency criteria for municipal entities and the value of bond ratings for future financing needs of the town and schools;
 - f. Risk assessment factors including diversity and predictability of revenue sources the potential for unexpected expenses.