

Race and Equity Pocket Questions

Title and purpose of this initiative: Financial Planning Model

The purpose of this item is for the Town's financial advisors (First Tryon) and finance staff to present the current financial planning model to show Council the short and long-term impacts on revenue assumptions, operating expenses, and capital expenditures.

Department: Finance

What are the racial and equity impacts?

No racial or equity impacts are identified with the presentation and working of the Excel financial model.

Who is or will experience community burden?

No community burden is directly expected from this model or the work session. With the outputs of the model, financial decisions for the Town might be recommended. This could include taking on additional debt or bond offerings which could lead to an increase in property taxes for residents. This would not be a direct impact to this model but could show Council when revenues would need to be increased via a tax increase weighed with the financial needs and goals of the Town.

Who is or will experience community benefit?

The community will benefit from the ability to see how today's decisions impact future obligations on the Town's finances. A holistic financial model is essential for both short-term and long-term financial decision making and essential in developing operating and capital priorities. The community will further benefit by the ability to more frequently publicly update operating outlooks and capital improvement programs.

What are the root causes of inequity?

As related to this financial modeling, some root causes of inequity are access to modeling software and training on how to make model inputs and interpret model results. Historical lack of inclusion for disadvantaged businesses in the municipal financial advisor space is also a root cause of inequity.

What might be the unintended consequences of this action or strategy?

Unintended consequences for over-reliance on a financial model is that it is a model, or an informed prediction of how a financial decision today changes the financial outlook of the Town in the future. A model can capture many externalities, but inherently becomes less reliable the further out in time it trying to predict. For Town staff, relying on model outputs to govern financial decision-making in future years could be inaccurate. Some of these external forces include inflation, unemployment rate, political climate, national emergencies/disasters/conflicts,



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and societal norms. Town staff needs to recognize this model as a tool in the belt to reinforce sound financial decision-making, but still consider financial history and results as the governors for financial recommendations to Council.

How is your department planning to mitigate any burdens, inequities, and unintended consequences?

To proactively mitigate these potential consequences, the Finance Department has put deliberate efforts into transparent communication with Council on this financial model. First presented in October 2023, the financial model is now ready to be deployed as a functional tool for the Finance Department. We encourage the fostering of ideas by our representative Council to ask about unintended consequences in this work session to ensure the Town is working effectively and deliberately in developing its long-term financial strategy.