



Staff Report

To: The Loop CID Board
From: Carrie Gartner
Date: May 8, 2023
Re: Overview of the Budgeting Process

Budgeting Overview

Like all public entities, we develop and approve a 12-month budget prior to the fiscal year, which runs from Oct. 1 to Sept. 30. All revenues and expenditures are assessed on a year-to-year, not on a month-to-month basis. This means that we close out the entire budget on Sept. 30 and start over with a new one. At the end of the fiscal year, any surplus is rolled over into our fund balance to be designated for specific projects, emergency funds, etc.

Long term projects which require significant funds are accomplished by creating a line item within the operating budget with the understanding that those funds will be directed into the fund balance at the end of the fiscal year and designated for a specific project. Alternatively, we can set aside general funds in the budget to be banked and designated for a specific project at a later date.

Budget and Workplan

Although our budget guides spending throughout the fiscal year, it's first and foremost a tool for prioritizing various CID projects. It allows for a discussion of what the organization intends to accomplish in the next year and it's a way to easily communicate those commitments to the public.

This is why our budget reflects the major project categories outlined in our CID Petition: beautification and streetscape, public safety, economic development, marketing, and advocacy. These categories are also reflected in our monthly financial report. Of course, some of these goals can be addressed in ways that may not require funding (although they will all require staff time and resources).

In light of that, the budget reflects the workplan for the upcoming year. Because we tackle such large scale projects, it's important to lay them out during the budget process to ensure that we have the financial, board, and staff resources to accomplish them.

This doesn't necessarily mean that we've worked out all the details on each project at budget time. It simply means that we've set aside funds for future development of various projects.

Amending the Budget

Although the budget may be amended for special circumstances (as we did for COVID-19) it's not recommended as a general practice and it's certainly not acceptable to alter it on a monthly basis. By the same token, frequent alterations to the workplan are not advisable either.

First, the budget reflects the yearly workplan and alterations to either the workplan or the budget impact financial and staff resources. Adding major projects to the workplan takes staff resources away from budgeted projects and since the new projects are not included in the budget, they lack funding.

Second, our budget is developed through a public process and constant alterations of an approved budget can undermine public confidence in the CID and the organization's commitment to a project.

To allow for more flexibility, we often include line items that reflect a general project category (such as streetscape enhancements) that give us the ability to select the best possible projects in this general area throughout the year.

Another common way we manage ideas for new projects is to set aside the idea and then include it in the next year's budget discussion. (This is why the city will agree to a project but be unable to fund it immediately—they are waiting until the funds are included in the next budget cycle.)

COVID-19 Impact

Our revenues were stronger than usual during COVID-19 and we lost a couple of key businesses so we need to be conservative in our sales tax revenue estimates. We usually use an average of the last 3 years but we should assess that each budget year based on circumstances.

Timeline

Our fiscal year runs from October 1 to September 30, like the City of Columbia. The budget planning process begins in April with a staff review of the last 6 months of expenditures, the most recent financial statements, an analysis of needs and where they may change, a review of board and member priorities, and most importantly, a review of the mission and stated objectives of the organization.

Budget recommendations will be developed for board review in May, going first to any appropriate committees if necessary. The full board votes on the budget in June and it is forwarded to the City for acceptance and then to the State of Missouri. All of these dates are mandated by state statute. Planning can start as early as we like although planning for a future budget with only a few months of the current budget under our belts can be difficult.