

# CDD Budget Preparation Process

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The CDD budget must be prepared in mid-fiscal year (FY), so that it can be approved in time for the annual trim notices to be sent to all homeowners. The CDD operates on a fiscal year that begins in October and ends in September. This necessitates several things, including the allocation of funds set aside for First Quarter expenses, as the money collected by the tax collectors only begins to accumulate in December-February, while bills still need to be paid in October-December (our first FY quarter). The CDD operating expenses and debt service appear as separate line items in the home owner's tax bill, listed under Non-Ad Valorem taxes.

There are several steps to the process. The first comes around April, in which the CDD Board member charged with preparing and presenting the budget (a volunteer, usually), and the District Manager (currently from the Severn Trent management company) meet one on one to discuss the coming year's budget. Using a pro forma Excel spreadsheet as a guide, which is prepared by the management company's accounting division, the discussion focuses upon the last year's budgeted expenses, actual expenses to date, projected expenses for the rest of the fiscal year and a column for the new budget year.

This spreadsheet has several tabs (or additional sheets) which contain the Reserves, the Debt Service (on the bonds), and the impact of CDD Fees on each section of the UP community (Charleston, Magnolia, Hampton, Ashley, Carriage Run and Indigo Ridge). The key advantage is that all of the calculations are linked together from sheet to sheet, such that a change in the amount of money budgeted for one line item on the main page has an immediate effect on both the amount of revenue that needs to be adjusted to cover that expense (or reduce it) and the net impact on resident fees associated with it. Thus, it becomes an iterative "*What If?*" process, illustrating the positive and negative impacts of lowering or raising the amounts budgeted for each line item.

The discussion between the District Manager and Board member centers upon what they think will happen in the coming year: do we have future needs as a district to increase budget for landscaping, or contract/professional services, or

insurances, or utilities, etc. The talks go back and forth, and eventually they arrive at a preliminary consensus, which is presented to the full CDD Board at the May meeting. At that time, the changes to the line items are discussed at a regular meeting, and all board members have a chance to add their input, ideas, new projects, etc. Note that the pro forma budget spreadsheet is also annotated with dozens of comments along each line item, to serve as reminders, such as the reasons for the changes.

The CDD Budget is prepared with several goals in mind: first, keep our general operating costs as low as possible, or at least consistent, while maintaining all of our services at an acceptable level. In addition, continue to fund our community Reserves, to provide funding for our future needs.

At the June CDD meeting, the Preliminary Budget must be adopted. This is an important step for two reasons: (1) this budget goes to the county and is used to print the Trim Notices (initial tax forecast) for all residences, illustrating what will happen if the “new budget is approved”, etc.; (2) this is also the High Water Mark budget – the CDD cannot approve of a final budget higher than the one submitted here as a preliminary version. So, sometimes, if there are considerable unknown expenses potentially lurking, we might consider artificially inflating this preliminary budget so that we don’t exceed the high water mark with the final budget.

In late August we hold the final Budget review meeting and ratify the final form for use in the next fiscal year. At that time, the CDD Board member who has responsibility for the budget makes a presentation (usually with overheads, PowerPoint, etc.), and highlights the changes in the new year’s budget, noting line items that went up or down, *and why*, as well as new line items, or deleted line items in the budget. Q&A follows, with the residents participating as well as the board members, and then the final budget is voted on, approved, resolutions adopted, and it is sent to the county.

See samples of the Budget Spreadsheet, along with accompanying information.