





# Own your book\$!

Cultivating & demystifying participatory budgeting



# Agenda

- Icebreaker/Intros (~10 min)
- Activity Part 1: Dream co-op “yes, AND...” 
  - Breakout Activity (~10 min)
  - Regroup/discussion (~5 min)
- Activity Part 2: Budgeting for your dream co-op 100
  - Breakout Activity (~10 min)
  - Regroup/discussion (~5 min)
- Activity Part 3: Managing your dream co-op budget   
  - Breakout Activity (~5 min)
  - Regroup/discussion (~5 min)
- Closing discussion (~10 min)

# Breakout groups & intros







- Split into 2-3 groups or else groups of 6-8, whichever is smaller
- In your groups (~ 5 min):
  - What comes to mind when you think about the word “Finance”?

What comes to mind when you think  
about “Finance”?

# What all goes into “Finance” for co-ops?

- Start-up capital (aka financing aka money)
  - From where? How?
- Making revenue (aka making money)
  - From where? How?
- Expenses (aka spending money) – Where? How?
- Creating a budget (aka planning for how much to make and how much to spend)
- Managing a budget – tracking expenses, etc.
- Collectively deciding on how to do all this democratically!

# Goals of this workshop:

1. Understand how budgets work   
(Via an activity to bring back to your co-op)
  - To help you fully participate in your co-op's finances
  - To help you help others fully participate
2. Explore what managing a budget in a co-op might look like 
3. Provide tools/resources for financial management & getting financing  
4. Get creative & have fun!  

# Activity Part 1:

## Building your dream co-op (“yes, AND...”)

- Activity:
  - First person: “We are going to start our dream co-op and in our dream co-op we are going to have...”
    - Next person: “yes, AND we are going to have...”
  - Write down each item on a sticky note and put in a vertical list on the notepad
- FIRST: decide two things
  1. What type of co-op (house or business and if business, what kind)?
  2. Are you going to rent, build, or own the property?
- Go around the group at least twice
- Get creative!

# What'd you come up with?

- What is your co-op?
- Did you decide to build, rent, or buy?
- What'd you put in/do with your co-op?
- Yes! BUT... How do we pay for this?



# Activity Part 2:

## Budgeting for your dream house

Disclaimer ~

This is just ONE way to go about putting together a budget.

The goal is to get the general intuition behind it.

# Activity Part 2:

## Budgeting for your dream house

1. Organize the vertical list into variable costs and fixed costs
  - Variable costs: stuff you use up/pay for every month (food, utilities, payroll, etc.)
  - Fixed costs: big one-time purchases (including the house/building itself, unless you are renting)
2. Determine how much each item costs
  - Assign a total price to each item on the list (give it guess)
  - Put a sticky note with the total cost next to the sticky note for the item

# Activity Part 2:

## Budgeting for your dream house

Disclaimer ~

These are rough definitions of variable costs and fixed costs, to help determine what will require a loan versus what can be paid for on a monthly basis.

“Official accounting standards” have particular definitions of variable vs. fixed costs. Don’t worry about that for the purpose of this activity.

# Activity Part 2 (cont.)

## 2 (cont.) - Determining monthly costs:

- Put another sticky note next to the total cost for the monthly costs for each item
- The building
  - If you're renting:  
estimate monthly rent payments
  - If you're building/buying:  
estimate the total amount of the loan you would need, pick a realistic interest rate, and use an online loan calculator to find the monthly payment (google: "online loan calculator")
- Variable costs:  
choose an amount you think you would pay in a month
- Fixed costs:  
for giant purchases, same process as for the building itself. For purchases you could pay for in the course of a year, divide the cost by 12 (for the 12 months).

# Item

# Cost

# Monthly cost



The building + other construction

Total loan amount

Online loan calculator

Monthly loan pmt



Fixed costs

Total cost

÷ 12

Monthly budget amt



Variable costs (food, payroll utilities)

Price paid per month

=

Monthly budget amt



Variable costs (other)

Price paid per month

=

Monthly budget amt

# Item

# Cost

# Monthly cost



The building  
+ other  
construction

Total  
loan  
amount

Monthly  
loan  
pmt



Fixed  
costs

Total  
cost

+

Monthly  
budget  
amt



Variable  
costs  
(food, payroll  
utilities)

Price  
paid per  
month

+

Monthly  
budget  
amt



Variable  
costs  
(other)

Price  
paid per  
month

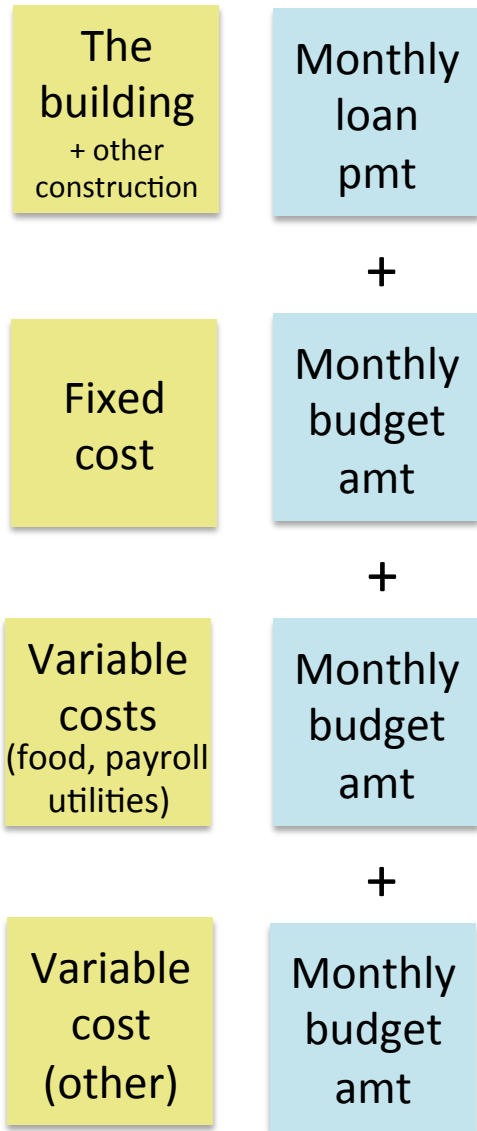
+

Monthly  
budget  
amt

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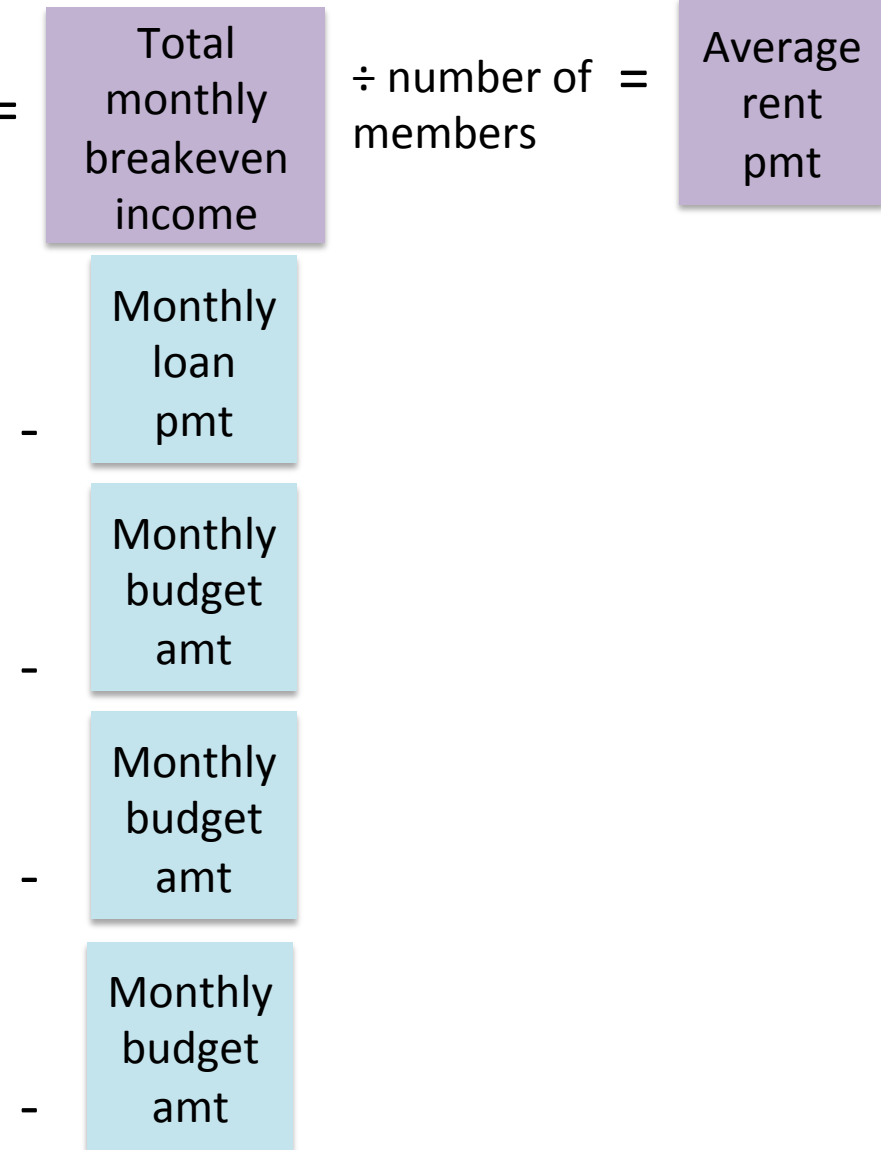
= Total monthly costs

# Monthly cost



= Total monthly costs

# Monthly budget



= net income (\$0)

# What is this saying?

“What do we expect our expenses to be and how much money do we need to make in order to cover our expenses (aka pay for our home/livelihood)?”

i.e., a budget!

## Monthly budget

$$\begin{array}{r} = \text{Total monthly breakeven income} \\ - \text{Monthly loan pmt} \\ - \text{Monthly budget amt} \\ - \text{Monthly budget amt} \\ - \text{Monthly budget amt} \\ \hline = \text{net income (\$0)} \end{array}$$



# What is this saying?

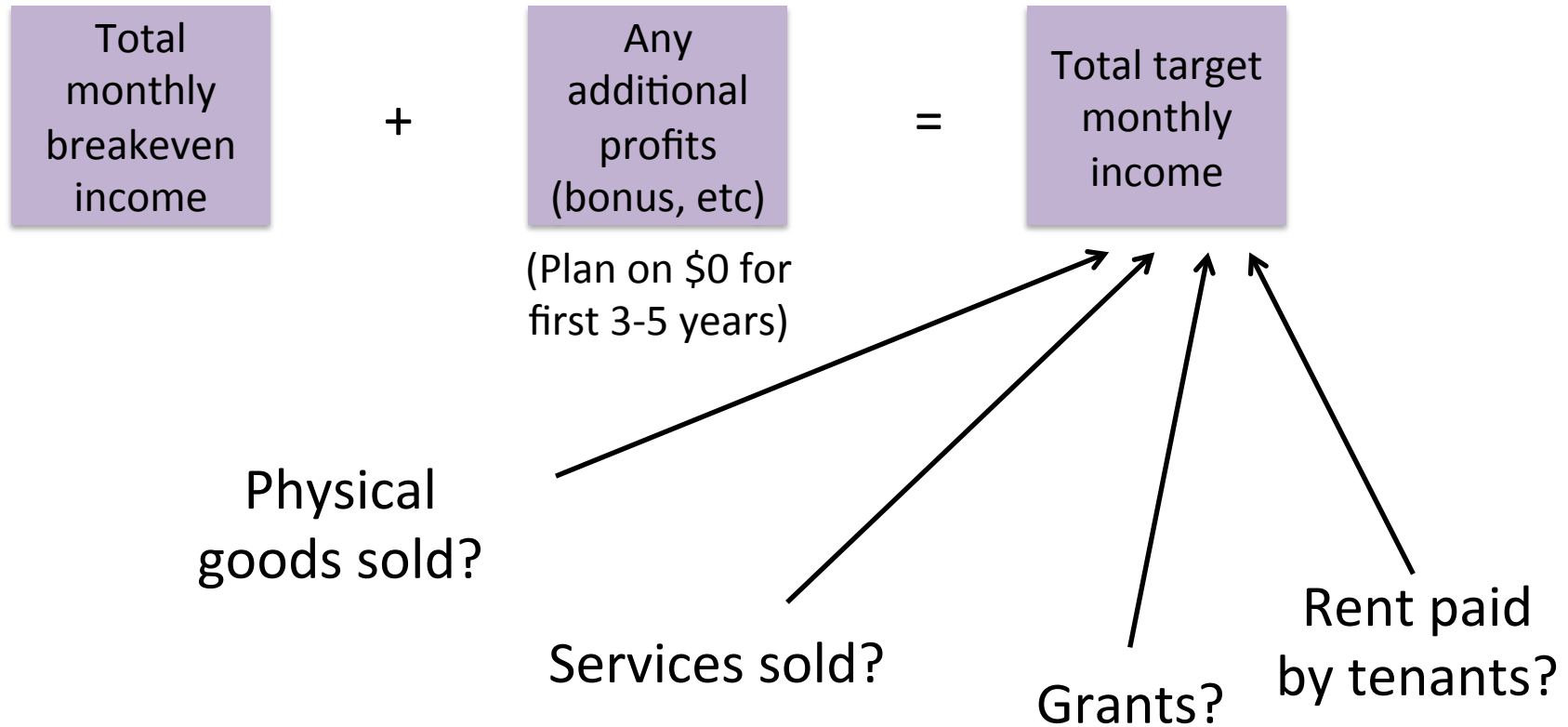
- Basically we worked backwards:
  - We asked “what do we need/want?”
  - Then we asked “how much do we think each thing we need/want will cost (per month and per year)?”
  - And finally we asked “how much do we need to make (per month/per year) to cover our total costs?”
- Put all together, this is our budget!

# Example budget in spreadsheet form - simple:

	A	B	C	D	E
1					
2	<b>Simple budget:</b>				
3		<b>per person/month</b>	<b>x # people</b>	<b>monthly total</b>	<b>annual total (x 12)</b>
4	<b>Income:</b>				
5	Food/utility/co-op fee:	\$ 200.00	6	\$ 1,200.00	\$ 14,400.00
6	Base rent	\$ 312.50	6	\$ 1,875.00	\$ 22,500.00
7	Total rent/income:	\$ 512.50	6	\$ 3,075.00	\$ 36,900.00
8					
9	<b>Expenses:</b>				
10	Food	\$ 100.00	6	\$ 600.00	\$ 7,200.00
11	Utilities	\$ 75.00	6	\$ 450.00	\$ 5,400.00
12	Other supplies	\$ 25.00	6	\$ 150.00	\$ 1,800.00
13	Rent/mortgage	\$ 300.00	6	\$ 1,800.00	\$ 21,600.00
14	NASCO fund	\$ 12.50	6	\$ 75.00	\$ 900.00
15	Total income				\$ 36,900.00
16					
17	Net income:				\$0.00
18					^^ zero b/c non-profit
19	equals total of non-food/utility/co-op fee monthly expenses				
20	average rent				

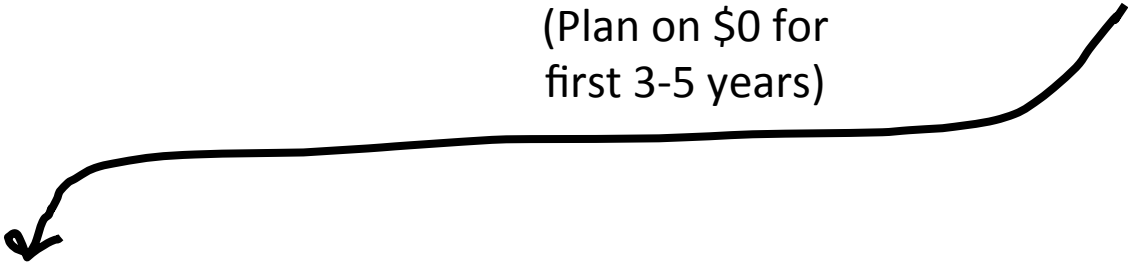
Next question:

How do we make that income? I.e., what is our business plan?



# How do we make that income? In a worker co-op: (example of a very basic approach)

$$\begin{array}{ccccc} \text{Total} & & \text{Any} & & \text{Total target} \\ \text{monthly} & & \text{additional} & & \text{monthly} \\ \text{breakeven} & + & \text{profits} & = & \text{income} \\ \text{income} & & \text{(bonus, etc)} & & \\ & & \text{(Plan on \$0 for} & & \\ & & \text{first 3-5 years)} & & \end{array}$$


$$\begin{array}{ccccccc} \text{Total target} & & & & & & \text{Average} \\ \text{monthly} & \div & \text{30 days} & \div & \text{\# items sold} & = & \text{price per} \\ \text{income} & & & & \text{per day} & & \text{item/} \\ & & & & & & \text{service} \end{array}$$

$$\begin{array}{ccccccc} \text{Total target} & & & & & & \text{\# items sold} \\ \text{monthly} & \div & \text{30 days} & \div & \text{Average} & = & \text{per day} \\ \text{income} & & & & \text{price per} & & \\ & & & & \text{item/} & & \\ & & & & \text{service} & & \end{array}$$

How do we make that income? In a housing co-op:

$$= \text{Total monthly rent income} \div \text{number of residents} = \text{Average rent pmt}^*$$

\*You may want to find the average rent as a baseline but then vary room prices by square footage or for other reasons (e.g. accommodating lower income individuals)

# (Pause & brief aside about starting up a co-op)

Start **small** and **simple**. Start by **doing** AND **dreaming**.

Housing → rent a house with 5 people, live together for one year, manage your grocery budget, THEN think about expansion/development.

- First look at city's "maximum occupancy laws"
- Google: "how many unrelated people can live together in...?"

Business → start in your kitchen or in the back of your car, have workers contribute a small amount of cash up front ("owner equity"), THEN start buying equipment, renting space, etc.

# Activity Part 2 (cont.):

## Additional budget items to consider

- If you get a loan: likely need special savings accounts
  - Required reserves:  
for long term asset (roof, water heater, etc.) replacement costs (based on industry standards)
  - Debt service:  
cash on hand to cover certain portion of loan payments (yours to use at the end of the year), good to keep around for emergencies
- Employee healthcare, etc.
- Rent loss (amount set aside in case people don't pay rent)
- Accounting and legal expenses
- Property taxes (unless you can claim exemption!)
- Property & liability insurance
- Education (e.g. NASCO!)
- Maintenance budget (e.g. equipment, wall paint, etc.)

# Example budget – expanded for multiple houses & home ownership

	A	B	C	D	E	F	G
1	<b>Annual Budget (date - date)</b>	House 1	House 2	Total			
2	(Average room price)				(= member dues + # ppl in house)		
3	<b>ANNUAL REVENUE</b>						
4	<b>Program service fees and revenue:</b>						
5	Member dues			(=sum B+C) for all			
6	--less 2% vacancy and collections loss				(=-.02*member dues)		
7	House income (food/utilities)						
8	Other revenue:						
9	<b>TOTAL REVENUES</b>				(=sum rows 7-10)		
10							
11	<b>OPERATING EXPENSES</b>						
12	<b>Program service expenses:</b>						
13	Rent/Mortgage				(=total loan pmts (if have loans))		
14	Maintenance						
15	Utilities						
16	Food + Supplies						
17	Real Estate Taxes						
18	<b>Total program service expense</b>				(=sum rows 15-19)		
19							
20	<b>Supporting service expense:</b>						
21	Property & Liability insurance						
22	Staffer Wages						
23	Legal						
24	Accounting						
25	Print/Office						
26	NASCO Institute/Education						
27	<b>Total supporting services</b>				(=sum rows 23-28)		
28							
29	<b>Reserves funding:</b>						
30	Operating Reserves (Savings)						
31	Escrow for Replacement/Repair Reserves/Capital Improvements						
32	Escrow for Debt Service/Development						
33	<b>Total reserves funding</b>				(=sum rows 34-36)		
34							
35	<b>TOTAL EXPENSES &amp; RESERVES</b>				(=row 20 + row 29 + row 37)		
36							
37	<b>NET OPERATING INCOME</b>				(row 11 - row 39)		
38					^^ should be very close to \$0,		
39					adjust above highlighted cells until \$0		
40							

Note:  
showing  
annual  
totals, not  
monthly  
totals



# Activity Part 3:

## Managing your dream co-op budget

Questions your co-op will have to answer:

- Who creates the budget?
- How do we collectively decide on this budget?
- Who keeps track of the budget and how?
  - Who has access to the bank accounts?
  - Do we use a spreadsheet or software?
- Who collects and deposits income?

# Activity Part 3 (cont.):

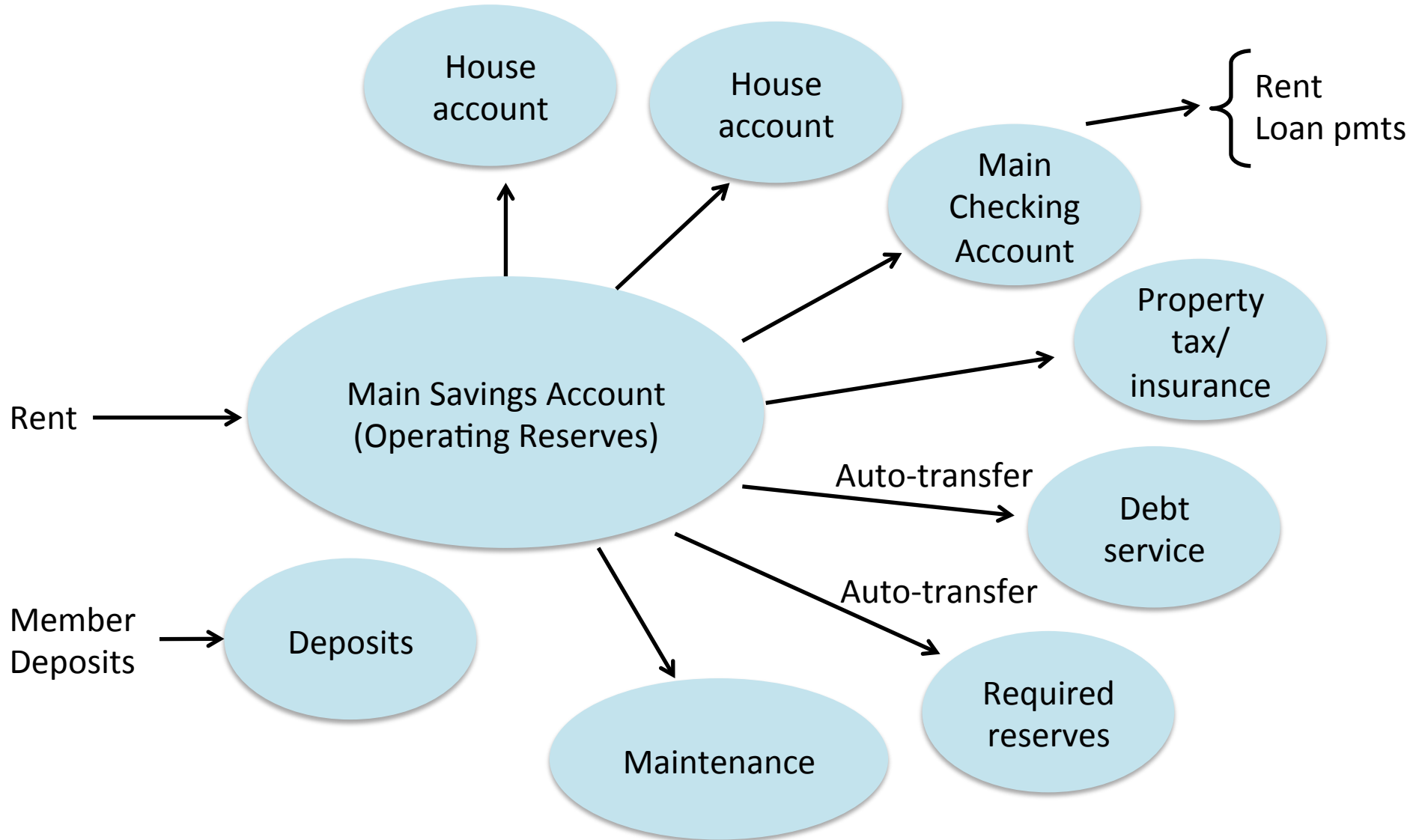
## Managing your dream co-op budget

Some ideas for managing finances:

- Establish a finance committee:
  - Elect/appoint a co-op treasurer (decide if paid/unpaid?)
  - Or if housing: Elect/appoint House treasurers & rent depositors
- Annual drafting of budget
  - Determine if done by board, treasurer, workers/membership, or all of the above
- Annual vote on budget
  - Determine if done by board, workers/membership, or both
- Structure your bank accounts to help keep track of income and expenses and to automate payments

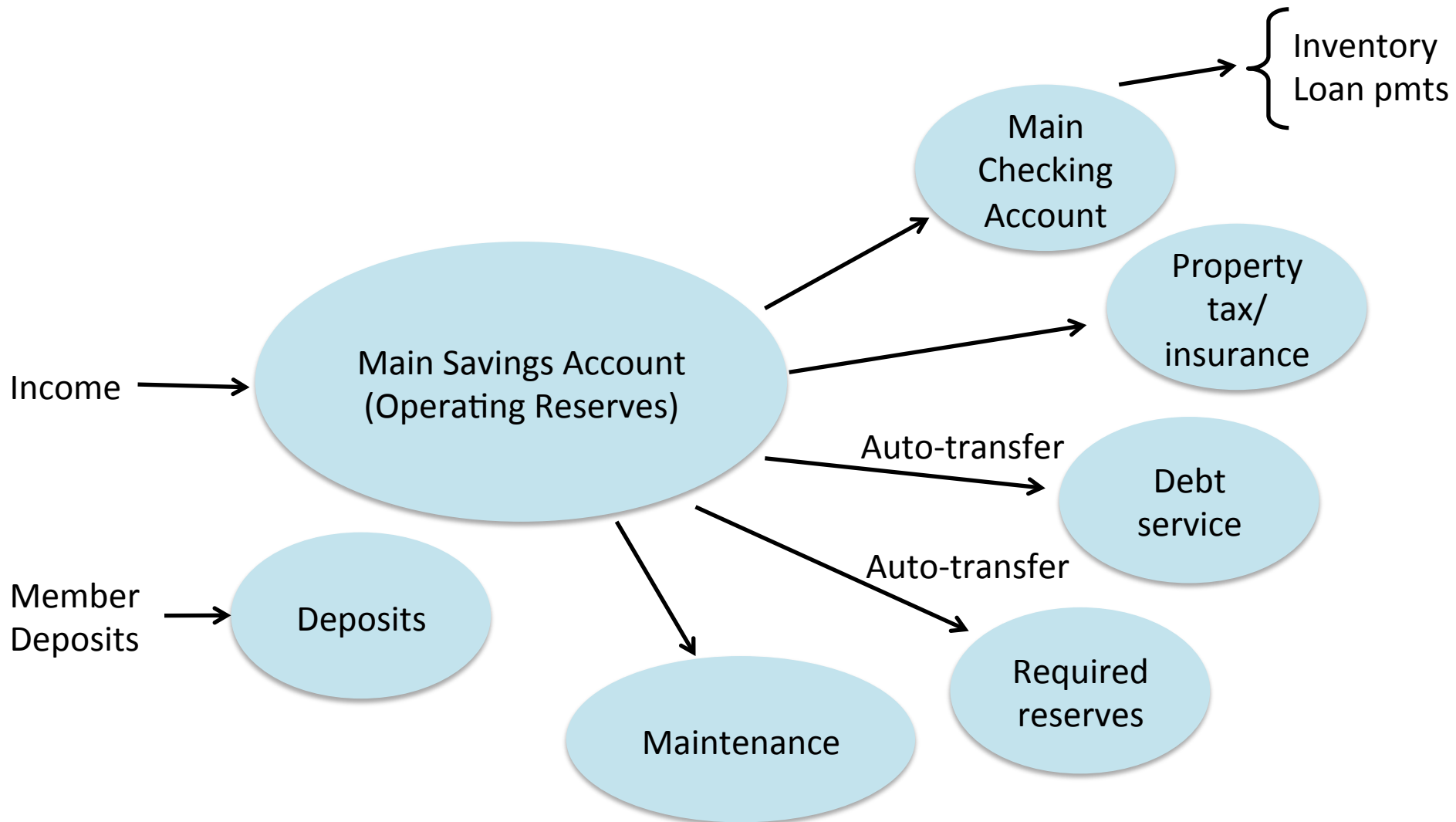
# Activity Part 3 (cont.):

## Organizing bank accounts (housing co-op)



# Activity Part 3 (cont.):

## Organizing bank accounts (worker co-op)



# Closing Discussion: Resources and Tools

- Who can help us figure out/manage our finances?
  - Consultants (e.g. Collective Seeds)
  - Outside bookkeepers (e.g. A Bookkeeping Cooperative)
  - Other co-ops: share knowledge!
- What online tools are out there to help manage finances?
  - Mint.com (free), Quickbooks (not free), others?
  - GnuCash

# Closing Discussion: Resources and Tools

- FYI: Co-ops notoriously struggle to find financing, especially at interest rates comparable to personal home loans, due to the amorphous ownership/management structure
- Given that, who will lend to co-ops?
  - Owner/worker equity – cash put in by workers up front
  - Shared Capital, Local Enterprise Assistance Fund, Cooperative Fund of New England, National Co-op Bank (>\$1M), Fund 4 Democratic Communities, The Working World
  - Local banks (a definite maybe, but worth a shot)

# Closing Discussion: Resources and Tools

- Things to be aware of with getting a loan:
  - Application fee, commitment fee
  - Don't necessarily need financial history (though it helps)
  - Need a business plan and/or demonstrated management/people dedicated to managing the co-op
  - Personal guarantees not required

Closing Discussion: Other questions?