

## **On creating simple, accessible budgets for small coops:**

Sometimes your coop may not need a complex budget, and your members may find a smaller simpler budget is easier to explain to the membership, and easier to maintain. In particular, some coops might have a layer of budgeting that is specific to the "house", including utility bills and food purchases, and then a second layer for the "coop", including lease/mortgage payments, taxes, and other official items.

Many coops will have the members make two separate payments for these two budgets, with one check paying for food, utilities, and other household expenses, and the other paying 'rent'. One advantage to this system is that you can raise extra money to improve life at the house (buying more and better food, for example), without having to raise 'rent'. In coop systems with several houses, this can also allow each house control over their own costs and services without having an effect on the financial issues shared by the entire system.

The following is a process for a small coop that is a part of a larger coop system. This coop has placed an emphasis on keeping the budgeting process simple and accessible to the average member, and one of the ways that they have tried to do this is to make the process familiar to anyone who has budgeted for a small household, and then adapt those methods for a larger cooperative household.

*We create a budget each year for our household which includes all of our utilities (gas, electric, water, internet/phone, oil). The budget also includes our other shared costs (including maintenance money), two yearly CSAs and food money. We look at our bills over the previous year and add a little cushion (because utilities have a tendency to increase) and then plot our overall costs for the entire year, which involved taking the annual totals for the last year, plus the cushion (usually about 3% above last year's charges) and dividing them by 12 to get an estimate of the average monthly cost for next year. Then we divide our total costs per month by 6 (the number of adults living in the house), and that is our monthly household charge per member.*

*Everyone pays the same, there is no change in our internal cost share based on bedroom size, or usage of appliances. No one pays more if they use the living room more often or if they have more meetings in the common spaces or if they camp out in the kitchen to do work, or if they have friends over more often or anything like that. This keeps the budgeting simple and respectful, and makes it very clear how the charges are decided.*

*We charge the same rate all year, so even though we use heat only in the winter, we have broken the cost of heating over the entire year, so that in January people are not struggling to pay their bills because all of a sudden the gas/oil bill is so much higher. This makes it easier for us to budget as a household and as individuals, always knowing our cost of living in the house will be the same from month to month.*

*The entire monthly charge for each member is paid into our house account at the beginning of the month. We pay all of our bills through our house account. We pay most of our utilities online, for convenience, and have a house checkbook that is used to pay for approved house expenses that we cannot directly pay online. That way no single person is responsible for a bill, and the coop can also build a track record of collecting money and responsibly paying bills.*

*We do have a few members who run window unit ac's and space heaters, but we are generally very conservative in our energy usage. We have many ceiling fans throughout the house which really help with cooling, we use almost exclusively CFL bulbs, and keep our thermostat at a very moderate temperature, high of 63 low of 58 at night, and we only buy new appliances that are Energy Star rated. This allows us to keep our costs as low as possible and still feel like we are able to use the appliances and things we have freely.*

*This system, where everyone pays exactly the same rate all year long, feels the most fair and the easiest to deal with. There is no arguing over costs, or surprise bills that are incredibly high. We are each able to anticipate our costs throughout the year. We also budget for a bit more than we think we will need so that we always have mutual aid fund available (extra money in our account). This helps in case someone can't pay on time, there are vacancies, or our costs are higher than we planned for.*

*If there is money left over at the end of the year (the bills were cheaper, we got such a deal on food, etc) that money just gets rolled over as house money. This "house money" allows us to do things collectively that are not otherwise in the budget so that they belong to the community not to an individual inside. Examples might include TVs, public computers, or furniture for common areas.*

*I am very happy with our system and I believe all the members of our community are happy with the way it works.*