



## ANNUAL BUDGET ROLLOVERS

To ensure that funds raised from property and business owners are spent annually in accordance with each BID's plan and the specific service or projects are provided, the City Clerk will review all annual budget rollovers for each BID. Each BID will be required to consult with the City Clerk on any surplus revenue that is rolled over from previous fiscal years. The goal of these consultations will be to ensure that each BID is spending these rolled over funds in a timely manner, and is complying with applicable State laws and City policies.

### **Recommended Guidelines**

Each year, the City Clerk's BID Analysts will review each BID's budget. In the event of a budget rollover, BID representatives will be required to meet with their assigned BID Analyst to discuss the reasons for the budget rollover and what steps can be taken to address it. BID Analysts will evaluate the situation and propose a course of action. Remedies may be unique to each BID and will be developed on a case-by-case basis. These can include, but are not limited to, the following:

#### Spend-Down Plan

The goal of a spend-down plan is to spend excess funds on services or projects identified in the operative management district plan. The City Clerk and the BID will establish a detailed plan of action on how these funds are to be utilized, which should be reflected in subsequent quarterly and annual reports.

#### Management District Plan Modification

In order to provide specific services to property owners or stakeholders, BIDs are required by State law to submit a management district plan and annual reports which explain how the funds raised from property and business owners are to be spent.<sup>1</sup> Each BID's management district plan must include details on the total annual amount proposed to be spent for the services or projects in each year of operation as well as a detailed plan on how business and/or property owners will be assessed. All assessments must be supported by an engineer's report. When applicable, the annual report must also contain an estimated amount of surplus revenues to be rolled over from a previous fiscal year.

If funds are expected to be rolled over from one year to the next, and a BID is engaged in a renewal process, the management district plan must clearly state that funds will be carried over from year to year for a specific project and identify the amount to be carried over from year to year. Rollover amounts must also be reflected in detail in each quarterly and annual planning reports.

If a current plan does not state this, a modification to the plan, with an accompanying engineer's report to justify the use of excess funds, may be required. In this instance, the City Clerk recommends consulting with the designated BID Analyst for more information.

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<sup>1</sup> CA Streets and Highway Code, §36622 and §36650.

### Stakeholder Refund/Credit

If a spend-down plan or plan modification is not a viable option, it may be necessary to issue a refund to the BID property owners/stakeholders. Ultimately, in property-based BIDs, assessments cannot be imposed on any property parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel.<sup>2</sup> In this scenario, the excess amount would be refunded to the property owner. The City Clerk would likely process this refund as a prorated credit to the property owner/stakeholder's future assessment.

If you have any questions about this policy, please contact our office at (213) 978-1099 or at [Clerk.NBIDS@lacity.org](mailto:Clerk.NBIDS@lacity.org).

Thank you.

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<sup>2</sup> Cal. Const., Art. XIII D, §4(a)