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## City announces significant savings from incentive-based budgeting

BY KELSI ANDERSON Jan 30, 2015

COLUMBIA — The city of Columbia saved \$4.1 million in fiscal 2014 with its incentive-based budgeting program, the independent auditor McGladrey said in its annual audit report.

Mayor Bob McDavid and City Manager Mike Matthes celebrated the fact at a Friday morning news conference.

Incentive-based budgeting works by giving departments that come in under their allotted budget 50 percent of those savings to use for one-time expenses the following year. The City Council keeps the other 50 percent to pay for projects that did not make it into the capital improvements budget.

The program acts in contrast to "use-it-or-lose-it" budgeting, in which departments spend the entirety of their budgets out of fear they might suffer cuts.

"Your incentive is to spend every dime," McDavid said in a YouTube video uploaded around the time of the press conference.

"If you go through the year, you don't spend all of it, next year you might get less money," Matthes said in the video.

McDavid and Matthes developed the incentive-based budgeting plan in 2011 and first implemented it in fiscal 2012.

"I lamented government's lack of incentive to lower expenses," McDavid said.

In its first year, the system saved the city \$1.9 million. The savings paid for numerous department projects and purchases, including body cameras for police officers, resurfaced tennis courts, a drug incinerator and play features at Little Mates Cove at Twin Lakes Recreation Area.

In fiscal 2013, however, incentive-based budgeting produced no savings. Matthes said that's because spending cuts had already made the budget so lean that year.

McDavid commended department staff for frugal spending during fiscal 2014, which ended Sept. 30. He expressed particular satisfaction with the Fire Department, which saved at least \$5,000 by forgoing contractors to remodel Station No. 2 on its own.

The city can spend the savings only on one-time expenses because officials don't know from year to year how much money incentive-based budgeting will produce.

"Instead of facing continual erosion of resources to serve citizens ... we have some hope," Matthes said.

Matthes will recommend to the City Council in late July or early August how it ought to spend the \$4.1 million saved last year.

*Supervising editor is Scott Swafford.*

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