

Tuesday, May 20, 2025

5:30 PM

McFarland Municipal Center  
5915 Milwaukee St, McFarland  
Community Room

## AGENDA

The public may attend in-person or remotely through the Zoom webinar or telephone options listed below. *Please Note: Virtual attendance is offered as a convenience, but technical difficulties beyond the Village's control may prevent or limit its availability at any meeting. The public is encouraged to attend the meeting in person to assure full access to the proceedings.*

PLEASE CLICK THE LINK BELOW TO JOIN THE ZOOM WEBINAR:

<https://us02web.zoom.us/j/84236376559>

Or by Telephone: +1 (312) 626-6799

Webinar ID: 842 3637 6559

Press \*9 to raise/lower hand. Press \*6 to mute/unmute.

## 1. CALL TO ORDER, ROLL CALL.

## 2. PUBLIC APPEARANCES.

- a. This is an opportunity for members of the public to address the Finance Committee for items that are not on the agenda. Please remember this is a hybrid meeting conducted in person and through the Zoom online meeting platform. Meeting attendees wishing to address the Committee about items not on the agenda may do so at this time. Zoom attendees should type their name and address in the Question and Answer feature within the Zoom online meeting platform at this time. Members of the public who are present in person and wish to address the Committee should fill out a public comment form and turn into the meeting chairperson. When you are called upon to speak, state your name, address, and provide your comments to the Committee for their consideration. Please adhere to the 3-minute time limit. Additionally, you may send your public comments to [finance@mcfarland.wi.us](mailto:finance@mcfarland.wi.us) to be included as part of the meeting.

Members of the public may also speak during their selected agenda item as they designate on the public comment form or in the Question and Answer feature on Zoom.

## 3. BUSINESS.

- a. Discussion regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.

## 4. SCHEDULE NEXT MEETING DATE.

- a. Thursday, June 19, 2025 at 6:00 pm - Need to Reschedule due to Holiday

## 5. ADJOURNMENT.

Any person who has a qualifying disability as defined by the Americans with Disabilities Act that requires the meeting or materials at the meeting to be in an accessible location or format should contact the McFarland Municipal Center at (608)838-3153, 5915 Milwaukee Street, McFarland, Wisconsin, or [village.clerk@mcfarland.wi.us](mailto:village.clerk@mcfarland.wi.us) by 2:00 p.m. at least 5 business days prior to the meeting so that any necessary arrangements can be made to accommodate each request. If the meeting or request is less than 5 business days from the meeting, requests for accommodations may still be made and reasonable efforts will be made to accommodate each request.

  
**McFarland**  
**SUMMARY SHEET**

**MEETING DATE:** Tuesday, May 20, 2025

**SECTION:** Business

**DEPARTMENT:** Administration

**CONTACT:** Cassandra Suettinger, Deputy Administrator/Clerk, Lisa Skar,  
Finance Manager/Treasurer, Matt Schuenke, Village Administrator

**AGENDA ITEM:** Discussion regarding updates to Chapter 2 (Budget Development Policy) of the Fiscal Policy Manual.

**PREVIOUS ACTION:**

The Finance Committee reviewed this item at its meeting on February 20, 2025.

The Finance Committee reviewed this item at its meeting on March 20, 2025.

**ISSUE SUMMARY:**

Included within the packet is the updated version to Chapter 2 for the Budget Development Policy. This most recent version combines the former version of Chapter 2 which was drafted in 2012 and integrates Chapter 11 on Revenues which was last drafted in 2011. Both original drafts of the former policies are included within the packet for review.

The policies were combined to improve efficiency in their presentation and remove duplication of similar standards. Additionally, the policy was reformatted in its entirety for both the Annual Budget and Capital Improvement Plan to be established in a similar manner as follows:

- General Procedures
- Development
- Timeline
- Engagement
- Monitoring

Similar language was carried over and updated for our current process that we will review and discuss as we continue to evaluate this update.

A comparison to our current process and the requirements for GFOA is also included in the packet. There are several areas where we are currently in compliance (green), more areas where we are almost in compliance (yellow), and finally other areas where we need to add some things (red). All of which should be achievable and lining that up now to understand what has to be included is good as we prepare to get the process started later this Summer.

The plan for the next meeting is to introduce this updated policy and begin to review its



contents. This is discussion only and we'll figure out later when it is ready for approval as a recommendation to the Village Board.

**FINANCIAL/BUDGET IMPACT:**

None

**VILLAGE PLAN REFERENCE:**

None

**ORDINANCE REFERENCE:**

None

**BOARD, COMMISSION OR COMMITTEE RECOMMENDATION:**

No action needed. Presented for discussion only.

**ATTACHMENTS:**

1. Chapter 2 - Budget Development Policy 05082025
2. Chapter 2 - Budget Development Policy 08272012
3. Chapter 11 - Revenue Policy 10102011
4. GFOA Distinguished Budget Award Requirement Review

## **CHAPTER 2      Budget Development Policy**

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### **SECTION 2.01      Policy Purpose**

- (a) The process for the publication and legislative consideration of the annual budget for the Village is stated in Wis. Stats. § 62.12 (Finance)<sup>1</sup> and § 65.90 (Municipal Budgets)<sup>2</sup> and Chapter 23, Article II, Division 2 of the McFarland Code of Ordinances<sup>3</sup>. Those legislative guidelines provide the overall framework and minimum legal requirements for the Village budget process. This policy outlines the process to be followed by Village Staff and the Village Board in developing and presenting the annual operating and capital budgets for all Village operations, including utilities, for review and adoption.

### **SECTION 2.02      Policy Objectives**

- (a) Develop a structurally balanced budget in which operating expenditures do not exceed operating revenues within the need for reserves to offset recurring expenses.
- (b) Align with goals from the Strategic Implementation Plan to ensure financial resources are made available for delivery of Village services.
- (c) Utilize qualitative data based on experience, trends, and other sources to align with appropriate levels of funding.
- (d) Create opportunities for public engagement to promote effective communication in simple plain language formats.
- (e) Align the Annual Budget with the Distinguished Budget Award subject to approval through the Government Finance Officers Association (GFOA) to promote transparency, accountability, and effective communication to the Community.

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<sup>1</sup> <https://docs.legis.wisconsin.gov/statutes/statutes/62/i/12>

<sup>2</sup> <https://docs.legis.wisconsin.gov/statutes/statutes/65/90>

<sup>3</sup> [https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=DIVISION\\_23-II-2\\_VILLAGE\\_BUDGET](https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=DIVISION_23-II-2_VILLAGE_BUDGET)

## SECTION 2.03 Basis of Budgeting.

- (a) The Village adopts annual budgets for the general, special revenue, debt service, capital project, internal service, and fiduciary funds that are prepared on the modified accrual basis of accounting. The enterprise funds budgets are prepared on the accrual basis of accounting. Please note the following definitions<sup>4</sup>:
- (1) **Modified Accrual Basis of Accounting.** Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.
  - (2) **Accrual Basis of Accounting.** Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.
- (b) The types of funds the Village utilizes include but are not limited to<sup>5</sup>:
- (1) **General Fund (100).** The general fund is used to account for all financial resources except those to be accounted for in another fund. The general fund is usually the largest and most important fund and most of the municipality's programs are financed wholly or partially through it. The general fund balance must be segregated to show the portions reserved for specific purposes, designated for continuing appropriations and undesignated.
  - (2) **Special Revenue Fund (200).** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes or activities, other than revenue sources that are restricted for the acquisition and/or construction of fixed (capital) assets. The use of these funds will vary from municipality to municipality depending upon local ordinances and the source of revenues and purpose of expenditures.

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<sup>4</sup> Basis of accounting definitions provided by Baker Tilly through the Village of McFarland Financial Statements and Supplementary Information.

<sup>5</sup> Fund definitions provided by Wisconsin Department of Revenue, *Uniform Chart of Accounts for Wisconsin Municipalities*.

- (3) **Debt Service Fund (300).** Debt service funds are to be maintained to account for all resources which are being accumulated to retire a municipality's general long-term debt. Section 67.11 of the Wisconsin Statutes requires the establishment and maintenance of a debt service fund when a municipality issues general municipal obligations.
- (4) **Capital Projects Fund (400).** Resources externally restricted for the purchase or construction of major capital facilities, which are not financed by proprietary funds should be accounted for in capital projects funds. Capital projects funds are to be established when projects are financed wholly or in part with borrowed money, intergovernmental revenues, private donations or when they are legally mandated. Separate capital projects funds are necessary to demonstrate that debt proceeds are spent only for the purposes and in the amounts authorized.
- (5) **Enterprise Funds (600).** Enterprise funds are used to account for a government's activities and organizations which are similar to private business enterprises - where the governing body has decided that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. Enterprise funds may also be used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- (6) **Internal Service Funds (700).** Internal service funds are established to account for services performed by a department or agency of a municipality for other departments or agencies of the municipality or for departments or agencies of other governments. Charges to the user departments or governments are based on the cost of the services provided. Internal service funds are frequently used for central garages and motor pools, data processing, central duplicating or print shops, central purchasing, and stores departments.
- (7) **Fiduciary Funds (800).** Also referred to as Trust and Agency Funds. Trust funds include expendable trust funds, nonexpendable trust funds and pension trust funds. Expendable trust funds are used to account for gifts and endowments whose principal and income may be expended for the purposes specified by the donor. Nonexpendable trust funds are used to account for gift and endowments which were provided with the stipulation that the principal be preserved intact and income thereon may be expended for the purposes specified by the donor. Each trust fund is classified for accounting measurement purposes as either a governmental fund or a proprietary fund.

Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds and pension trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature and agency fund assets always equal agency fund liabilities. Agency funds have no fund equity or revenues and expenditures. Agency funds are used to account for property taxes and other receipts billed and collected for individuals or other units of government.

- (c) The Village's chart of accounts establishes all Village funds will be used to construct the budget to ensure consistency with its annual financial statements.
- (d) The adopted budget indicates the amount that can be expended by each fund based on detailed budget estimates for individual expenditure accounts.
- (e) All budget amounts lapse into their respective fund balance at the end of the year to the extent they have not been expended. Unexpended funds approved in one year have to be budgeted again in the next year if their intended to carry forward.
- (f) The adopted budget format will follow the established guidelines for the Distinguished Budget Award program through GFOA.

#### **SECTION 2.04 Annual Budget.**

##### **(a) General Procedures.**

- (1) The annual Village budget developed for consideration by the Village Board will include all Village funds and will include both the operating budget for the ensuing fiscal year and a capital budget based upon a separate five-year capital improvement plan.
- (2) The Administrator is responsible for coordination and initial review of departmental budget submissions. As necessary, meetings will be held with departments to review their budget requests prior to finalizing the budget.
- (3) Village Board review and deliberation on the budget and municipal services will generally be done in consultation with department heads, as determined appropriate by the Board. Final budget adoption shall be considered by the Village Board via ordinance upon conclusion of the review process.
- (4) The operating budgets will serve as the annual financial plans for the Village and as the policy documents for implementing Board goals and objectives. The Annual Budget will provide staff the resources necessary to accomplish service levels determined by the Village Board. The Village's annual budget document will be drafted by department, with a logical breakdown of programs and line-item detail in accordance with the chart of accounts.

- (5) Enterprise funds (e.g., the Utility Fund and Stormwater Utility) shall be supported by their own rates and specified revenue sources unless otherwise authorized by the Village Board. Enterprise fund operating surpluses will not be used to subsidize other Village funds.
- (6) Enterprise funds and special revenue funds will pay their proportionate share of allocated expenses provided by General Fund departments.

(b) **Development.**

- (1) Before commencement of the annual budget process, the Village Board and the Administrator will develop recommended budget parameters and set the budget development calendar as needed.
- (2) Certain budget elements that are common across departments will be calculated and/or monitored by the Administrator or designee on a centralized basis to ensure comparability and budgetary control. These areas include:
  - (i) Wages and Benefits.
  - (ii) Insurance Premiums.
  - (iii) Fuel, utility, and other fixed costs.
- (3) The Village Board exercises legal budgetary control at the fund level; however, reports are provided at functional and departmental levels as defined in the budget transmittal. Budget implementation rests primarily with Village departments, with general oversight by the Village Board and management by the Village Treasurer<sup>6</sup>.
- (4) **Budget Format.** Please note the following guidelines for building the budget document:
  - (i) Title Sheet.
  - (ii) Budget Transmittal Memorandum.
  - (iii) Ordinance following Adoption.

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<sup>6</sup> [https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=2-516\\_Village\\_Treasurer\\_And\\_Deputy\\_Treasurer](https://mcfarland.municipalcodeonline.com/book?type=ordinances#name=2-516_Village_Treasurer_And_Deputy_Treasurer)

- (iv) Public Hearing Notice following Publication.
  - (v) Strategic Implementation Plan following Acceptance.
  - (vi) Budget Review Schedule.
  - (vii) Budget Fund Summaries.
  - (viii) Taxation Estimate with all Taxing Jurisdictions.
  - (ix) Historical Budget Comparison Data.
  - (x) Revenues and Expense Details for all Funds.
  - (xi) Additional detail required by GFOA to qualify for a Distinguished Budget Award.
  - (xii) All other relevant information as determined by the Village Board.
- (5) **Revenues.** The Village needs to maintain a diversified and stable revenue base to shelter it from unanticipated fluctuations and to minimize reliance on the property tax. Similar sources and uses of revenues should be matched to the extent possible to ensure adequate and equitable funding for various Village services and programs over the long term.
- (i) At least each budget cycle, existing and new revenue sources will be examined using an analytical process to objectively estimate appropriate levels of funding. Each Department will be responsible for the inclusion of revenues within their budget proposals subject to review by the Administrator. Department revenue will be deducted from the amount of allocated revenue needed to support their services, helping to lower dependence on property taxes where applicable.
  - (ii) The Village will establish all user charges and fees at a level related to the actual cost of providing the service to ensure full cost recovery where applicable. Each year the Village will evaluate and may recalculate the cost of services supported by user fees to identify the impacts of inflation and other cost increases.
  - (iii) Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of the Village. One-time revenues will be used for capital improvements or as legally restricted to a specific purpose. In addition, enterprise funds will generate revenue sufficient to support the full direct and indirect costs of these funds.

- (iv) At least each budget cycle, intergovernmental revenues will be reviewed to determine their stability and to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.
- (v) Revenues shall be budgeted to meet the Village's debt service obligations before they are allotted for any other type of expenditure.
- (vi) Payments in lieu of taxes from municipal utilities will be budgeted and based on utility estimates typically determined by the Village Auditor.
- (vii) Proceeds from the sale of equipment or excess property will not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund from which they were paid.
- (viii) **Grant Applications.** Grant applications \$5,000 or less shall be reviewed and approved by the Administrator. Grant applications in excess of \$5,000 shall be reviewed by the Administrator and approved by the Village Board prior to submittal. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the Village relating to the grant's purpose and to provide an overall budgetary review of grant proposals. Grants requiring Village Board approval may be reviewed by the related Committee as a recommendation to proceed with the application.

(c) **Timeline.**

- (1) **July – Parameters.** The formal budget process will generally begin in July of each year as the Village Board sets the parameters for its development, including the calendar. Additionally, the Village Board is presented with pertinent background information for the upcoming budget cycle. The Administrator will distribute budget worksheets to Departments to begin the development process once the parameters are set.
- (2) **August – Development.** Budget worksheets submitted to Departments will include data for the prior year actual, current year budget, and current year to date as of the end of June. Detailed wage and benefit calculations will be submitted to Departments with allocations distributed within the worksheets. Department heads are then responsible for completing budget requests in accordance with the parameters provided by the Administrator and Village Board. Budget worksheets are generally returned to the Administrator near the end of August to build the budget transmittal for the Village Board to review.

- (3) **September – Transmittal.** The proposed budget including all funds and required documentation will be transmitted to the Village Board at its second regular meeting in September. The Administrator will provide an initial overview of the proposed fiscal impact of what is included to begin the review process.
- (4) **October – Review, Public Hearing, and Changes.**
  - (i) **Review.** The Village Board will schedule meetings for review of the budget transmittal generally in October in accordance with the schedule it sets as part of the parameters. Each fund will be reviewed as part of the process to be presented by Departments where applicable.
  - (ii) **Public Hearing.** The public hearing for the budget will be held at the second meeting in October. All meetings are open to the public to provide comment on the proposed budget. Members of the public are encouraged to comment at the public hearing on the proposed budgets and their impact on municipal services.
  - (iii) **Changes.** The process for Village Board members to submit changes to the proposed budget will be set with the parameters. Each board member desiring to make a change to the budget will do so through a form detailing their request and other relevant background information. Each request will be discussed and acted on by the full Village Board prior to adoption. Those line items not requested for changes will be considered acceptable as proposed.
- (5) **November – Adoption.** The Village Board will adopt the proposed budget for the coming year at its second regular meeting of the month in November. The adoption will be conducted by ordinance, summarizing the fiscal impact of each fund while also noting the tax levy to be adopted. An estimate of the Village impact on the tax levy will be provided at this time and also for all taxing jurisdictions, if available.
- (d) **Engagement.** Access to the budget and the process to develop it will be shared through the following ways:
  - (1) A physical copy will be available to the public for review at the McFarland Municipal Center and E.D. Locke Public Library. This will include the draft budget transmittal from Staff and then the final budget as adopted by the Village Board.

- (2) An electronic copy of both the draft budget transmittal and final adopted budget will be included on the Village website for public viewing.
- (3) The proposed budget will include a summary that is meant to provide, in plain language, the impact of the budget within the Community. The emphasis for the document will be towards residents to help them understand generally where money comes from within the funds and how it is used.
- (4) A public hearing notice will be issued in accordance with State Statutes approximately near the end of September or beginning of October. This notice will be published in the local newspaper and also advertised to the public to encourage their participation throughout the process.
- (5) A summary letter will be included with the tax bills to provide general information on the budget that was adopted. This can be developed as a standalone document or in concert with the budget summary mentioned in sub (3).
- (6) All Village mediums can be considered for distribution of information on the budget and its process to encourage understanding and participation.

(e) **Monitoring.**

- (1) The Administration Department shall distribute financial reports to the Village Board, Finance Committee, and Department Heads on a monthly basis.
- (2) The Administrator shall provide a quarterly overview of budget progression to the Finance Committee to help monitor performance.
- (3) **Budget Overages.** UNDER CONSTRUCTION
- (4) **Amendments.** Either the Village Board or Administrator may propose a budget amendment due to changing circumstances unforeseen at the time of its development. In accordance with State Statute 65.90(5)(ar), an amendment to the budget must be approved by two-thirds vote of the Village Board. Additionally, a notice of the changes will be made on the Village's website within 15 days of action taken by the Village Board. Budget changes are subject to approval by the Village Board via resolution on a case by case basis upon recommendation from the Administrator.

## **SECTION 2.05 Capital Improvement Plan.**

### **(a) General Procedures.**

- (1) The Village will develop a five-year Capital Improvement Plan (CIP) to support the inclusion of capital projects within the Annual Budget. Capital expenditures to be included in the CIP shall include those items needed to support new or existing public infrastructure, vehicles, equipment, design/planning services, or other amenities within the Community. The five-year capital improvement plan will be updated annually and subject to final acceptance by the Village Board.
- (2) The most current year for the accepted capital improvement plan will be included within the Annual Budget for consideration of approval at the same time as all other funds.
- (3) The development of the CIP will include vehicle and equipment replacement needs in association with Vehicle Replacement Policy Chapter 12. Ongoing maintenance of existing vehicles and equipment will remain an operating expense. Sinking funds will be established, when feasible, to fund future vehicle and equipment replacements.
- (4) The Administrator will include in the CIP a projection of changes in the property tax levy necessary to pay for the proposed debt service in future years. Such projection will be used to develop guidelines for the level of borrowing to be used in supporting the proposed Capital Projects Fund within the Annual Budget. The projection will be based on a combination of factors including, but not limited to, expected growth in tax base, inflation rates, or similar factors.
- (5) Utility projects not funded via special assessments, grants, or similar funding sources other than utility rates will be analyzed for future rate impacts as needed to ensure debt obligations are met. Utility projects will be coordinated with other capital projects where applicable to minimize costs and inconvenience to residents.
- (6) Development-related projects for which tax incremental financing might be considered will be considered outside of the borrowing projections noted above due to the dedicated revenue stream (tax increments or other sources) used to pay the debt. The exception to this will be for proposed public improvements funded through tax increment districts as coordinated with other funds.

- (7) Facility improvement projects to be included in the capital improvement budget should involve major renovations that change or make repairs to the floor plan, wall locations, modifications to the structure, or modifications to building mechanical systems. Items that do not meet these criteria can be included within the CIP but funded by other means as available.

(b) **Development.**

- (1) The Administrator shall be responsible for preparing the annual CIP with assistance from all Departments and various consultants as applicable. Each Department Head will draft and develop their proposed capital expenditures for inclusion within the CIP to support service delivery and general operations of the Department. The proposed draft of the CIP will be introduced to the Village Board for review as well as to the Committee of record for respective Departments for review and recommendation.
- (2) Capital expenditures shall include any amounts expended for public improvements, vehicles, equipment, design/planning services, or other public amenities where the expenditures useful life more than five years and/or which involve amounts more than \$5,000 per line item. Expenditures not meeting these criteria, or which have a useful life of less than the payback period of the funds to be borrowed, may be included in the CIP but funded in other means that do not include borrowing.
- (3) Each Department will identify the total estimated cost for the capital expenditures and the proposed fund source(s) to offset the cost. Grant or other intergovernmental funds may be utilized to offset capital expenditures and should be included within the CIP as applicable.
- (4) **Format.** Please note the following guidelines for building the CIP document:
  - (i) Cover Sheet.
  - (ii) Transmittal Memorandum.
  - (iii) Financial Analysis – 5 and 10 years.
  - (iv) Project Summary Narrative.
  - (v) 10-year Paving and Utility Plan.
  - (vi) 10-year Park System Improvement.
  - (vii) All other relevant information as determined by the Village Board.

(c) **Timeline.**

- (1) **May – Drafting.** The Administrator will work with the Village Board within its annual calendar to set the detailed schedule for the process. Additionally, instructions will be provided to Department Heads to begin the process to review the next five years proposed for the CIP to develop their recommendations. The Administrator will review these submissions with Department Heads in order to develop a draft that includes the financial analysis conducted by the Village’s Financial Advisor.
- (2) **June – Introduction.** The initial draft of the proposed CIP will be submitted to the Village Board and Committee’s of record to be introduced and begin their review. The initial fiscal impacts will be reviewed as well as major initiatives proposed by Departments. The CIP will also note alignment with the Village Strategic Implementation Plan where applicable.
- (3) **July – Review.** The Village Board and related Committees will continue their review of the proposed CIP further evaluating priorities against fiscal impacts. Additional details of major projects will be reviewed at this time as well as alternatives to adjust projects or move between years. At the conclusion of their review, the related Committees will make a recommendation to the Village Board regarding their review.
- (4) **August – Acceptance.** At the conclusion of its review and in receipt of applicable recommendations, the Village Board will consider acceptance of the CIP as presented following this work. The included financial analysis will be updated as needed along with any other supporting documentation that changes throughout the process. Once accepted, the most current year of the proposed CIP will be included and updated within the Annual Budget as the Capital Projects Fund. The Village Board will review this again as part of the budget process which concludes in November.

(d) **Engagement.**

- (1) A physical copy will be available to the public for review at the McFarland Municipal Center and E.D. Locke Public Library. This will include the draft submittal from Staff and then the final plan as accepted by the Village Board.
- (2) An electronic copy of both the draft submittal and final accepted plan will be included on the Village website for public viewing.
- (3) The proposed plan will include a summary that is meant to provide in plain language the impact of the CIP within the Community. The emphasis for the document will be towards residents to help them understand generally where capital projects are funded and how the document is used.

- (4) All Village mediums can be considered for distribution of information on the budget and its process to encourage understanding and participation.

(e) **Monitoring.**

- (1) Once the CIP is accepted, Staff will use the accepted CIP to build the draft budget for the subsequent year's Capital Projects Fund within the Annual Budget. Capital expenditures may not move forward until approved within the Annual Budget and/or as applicable in line with other Village financial ordinances and/or policies. Through review and adoption of the Annual Budget, the Village Board maintains discretion to add, modify, or delete inclusions within the Capital Projects Fund as proposed regardless of acceptance of the CIP.
- (2) Once the Annual Budget is approved, the included capital expenditures must be reviewed again against the borrowing needs for the year in association with the adopted budget and actual costs. Village Staff will work to review and reconcile proposed borrowing needs within the Capital Projects Fund as included within the Annual Budget transmittal. Through review and adoption of the annual borrowing process, the Village Board maintains discretion to modify or delete inclusions within the Capital Projects Fund associated with the borrowing regardless of their approval within the Annual Budget. The Village Board may include additions to the annual borrowing for capital expenditures in association with budget amendments in accordance with Section 2.04(e)(3) of this policy.

Adopted: August 27, 2012

Amended: XXXX XX, 2025

# **BUDGET DEVELOPMENT POLICY**

## **POLICY PURPOSE**

The process for the publication and legislative consideration of the annual budget for the Village is stated in Wis. Stats. § 62.12 and § 65.90 and Chapter 23, Article II, Division 2 of the McFarland Code of Ordinances. Those legislative guidelines provide the overall framework and minimum legal requirements for the Village budget process. This policy outlines the process to be followed by Village staff and the Village Board in developing and presenting the annual operating and capital budgets for all Village operations, including utilities, for review and adoption.

## **POLICY IMPLEMENTATION OBJECTIVES**

### **A. BASIS OF BUDGETING**

1. The Village adopts annual budgets for the general, special revenue, debt service and capital project funds that are prepared on the modified accrual basis of accounting. The enterprise funds budgets are prepared on the accrual basis of accounting.
2. The adopted budget indicates the amount that can be expended by each fund based on detailed budget estimates for individual expenditure accounts. Management may make budget modifications within the department level. All budget revisions at the fund level must be authorized by the Village Board at the request of the Administrator/ Treasurer. The Board, under Wis. Stats. § 65.06, can modify or amend the budget if unappropriated funds are available. All supplemental appropriations are financed either by transfers from reserves or by revenues received in excess of the budgeted amounts.
3. All budget amounts lapse at the end of the year to the extent they have not been expended.
4. The basis of budgeting for the Village's funds is the same as the basis used for the fund statements in the Village's annual financial statements.

### **B. GENERAL BUDGET PROCEDURES**

1. The annual budget for the Village developed for consideration by the Village Board will include all operations of the Village, including utilities, and will include both the operating budget for the ensuing fiscal year and a capital budget based upon a five-year capital improvement plan.

2. Before commencement of the annual budget process, the Village Board and the Administrator/Treasurer will develop recommended budget parameters and the budget calendar. Budget parameters will include allowable increases/decreases in operating budgets, projected wage increases, targets for borrowing in accordance with the Village's debt management policy, anticipated changes in revenue sources or tax base growth, and other factors.
3. Certain elements of budgets that are common across departments will be calculated and/or monitored by the Administrator/Treasurer on a centralized basis to ensure comparability and budgetary control. These areas include:
  - a. Salaries and benefits
  - b. Liability, worker's compensation, and property insurance coverages
  - c. Fuel and utility cost assumptions
  - d. Public Fire Protection Charge

The Administrator/Treasurer is responsible for coordination and initial review of departmental budget submissions. As necessary, meetings will be held with departments to review their budget requests prior to finalizing the budget.

4. The budget, consisting of the Administrator/Treasurer's recommendations on department requests shall be submitted to the Village Board for its consideration. Along with the executive budget submission, the following information will be reported to the Village Board:
  - a. All budget requests by departments, whether recommended for funding or not in the budget
  - b. A report from the Administrator/Treasurer as to whether the budget falls within the initial parameters established by the Village Board and areas in which changes/adjustments could be considered
5. Village Board review and deliberation on the budget and municipal services will generally be done in consultation with department heads, as determined appropriate by the Board. The annual operating and capital budgets will be submitted to the Village Board for adoption by formal Resolution.

## C. OPERATING BUDGETS

1. The operating budgets will serve as the annual financial plans for the Village and as the policy documents for implementing Board goals and objectives. The budget will provide the staff the resources necessary to accomplish Village Board determined service levels. The Village's annual budget document will be presented by department, with a logical breakdown of programs and line-item detail. Separate summary budget information will also be presented for discussion and review by the Village Board and the public.

2. The Village will annually adopt a balanced budget for the General Fund where operating revenues and other funding sources are equal to, or exceed, operating expenditures. Funding sources that can be considered in adhering to this provision include applying some portion of the general fund balance (reserves) that exceeds the minimum level required to be maintained per the Village's fund balance policy. Any increase in expenditures, decrease in revenues, or combination of the two that would result in a significant budget imbalance during the current fiscal year will be reported to the Finance Committee for consideration and recommendation to the Village Board of budget revisions or use of fund balance reserves to support ongoing operations. Any year-end operating surpluses will revert to unreserved fund balance for use in maintaining reserve levels set by policy.
3. Enterprise funds (e.g., the Water and Sewer Utility and Stormwater Utility) shall be supported by their own rates and specified revenue sources, including property taxes as deemed appropriate by the Village Board, and not be subsidized by the General Fund. Enterprise fund operating surpluses will not be used to subsidize other Village funds.
4. Enterprise funds and special revenue funds will pay their proportionate share of overhead services provided by General Fund departments.
5. The Village Board exercises legal budgetary control at the fund level, however reports are provided at functional and departmental levels as defined in the Village budget document. Budget accountability rests primarily with the operating departments of the Village, with general oversight by the Finance Committee and the Public Utilities Committee.

#### D. CAPITAL IMPROVEMENT BUDGETS

1. The Village will enact an annual capital improvement budget based upon a five-year capital improvement plan. Projects or future capital expenditures to be included in the capital improvement plan shall include those items resulting from changes in population, changes in real estate development, changes in economic base, or developments anticipated as part of the master and neighborhood planning process. The capital improvements plan will also include consideration of major equipment replacement needs. The five-year capital improvement plan will be updated annually.
2. The Village will coordinate development of the annual capital improvement budget and the vehicle/equipment replacement program with the development of the operating budget. Future operating costs or savings associated with new capital improvements or major equipment purchases will be projected and included in the operating budget. Approval of the annual capital improvement budget shall take place at the same time as approval of the annual operating budget.

3. As part of the annual capital improvement budget process, the Administrator/Treasurer will develop for consideration by the Village Board a projection of changes in the property tax levy necessary for debt service in subsequent budget years. Such target will be used to develop guidelines for the level of borrowing to be used in supporting the annual capital improvement budget. The projection will be based on a combination of factors including, but not limited to, expected growth in tax base, inflation rates, or similar factors.
4. Utility projects not funded via special assessments, grants, or similar funding sources other than utility rates will be analyzed for future rate impacts as part of the annual budget process. Utility projects will be coordinated with Village projects to minimize costs and inconvenience to residents.
5. Development-related projects for which tax incremental financing might be considered will be considered outside of the borrowing projections noted above due to the dedicated revenue stream (tax increments or other sources) used to pay the debt.
6. Each department head will develop the annual capital improvement budget for his or her respective department. These initial budgets should be reviewed by the appropriate board or committee which is responsible for overseeing the operations of each department. The final review of the annual capital improvement budget will then be completed by the Administrator/Treasurer prior to being presented to the Village Board for approval.
7. Capital improvement expenditures shall include any amounts expended for equipment or other assets with a useful life of more than five years and/or which involve amounts more than \$2,500. Expenditures not meeting these criteria, or which have a useful life of less than the payback period of the funds to be borrowed, shall be included in the Village's annual operating budget or equipment replacement program as applicable.
8. Requests for new or replacement vehicles and similar equipment will be analyzed in conjunction with the Village's equipment replacement program. Sinking funds will be established when feasible to fund future vehicle and equipment replacements.
9. Facility improvement projects to be included in the capital improvement budget should involve major renovations that change the floor plan, wall locations, modifications to the structure, or modifications to building mechanical systems. Items that do not meet these criteria should be included in department operating budgets.
10. The Village will make all capital improvements in accordance with the approved annual capital improvements budgets. Any variance from the

approved budget that would require a supplemental appropriation, or to add, delete or substitute projects, requires approval by the Village Board.

11. Financing Considerations

- a. The Village will utilize the least costly financing method for all new projects.
- b. Each department will identify the estimated costs and potential alternate funding sources for each capital improvement project proposal.
- c. The Village will utilize available grant funds and other intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and the Village's priorities.

12. Other Considerations

- a. The Village will maintain all of its assets at a level adequate to protect the Village's capital investment and to minimize future maintenance or replacement costs.
- b. The Village will maintain adequate equipment utilization and maintenance records to support its five-year capital improvement plan and to assure proper maintenance of equipment.

E. BUDGET DEVELOPMENT PROCESS (General)

1. The formal budget process begins in late June of each year when the Village Board determines the details of the budget calendar and budget review process to be used that year. Informally, aspects of upcoming budgets are discussed throughout the year with the Village Board and staff. [Refer to the attached Budget Schedule which describes the process and timetable for the current year.]
2. In July the Village Board is presented with pertinent background information for the upcoming budget and fiscal policy recommendations from the Finance Committee. The Board determines general budget parameters and guidelines to be followed by the departments when compiling their budget requests. As appropriate, the Administrator/Treasurer details alternative budget scenarios for the department heads to submit.
3. The Administrator/Treasurer provides each department with historical financial information and projected salary and benefit figures based on the authorized positions. Department heads are then responsible for completing budget requests in accordance with the guidelines provided by the Administrator/Treasurer and the Village Board. Capital budget requests and changes in staffing levels or significant service level/policy changes are reviewed with committees of jurisdiction in July and August. Departmental budget requests are returned to the Administrator/Treasurer in late August for compilation.

4. Simultaneously, the Administrator/Treasurer reviews current year revenue trends and completes revenue estimates for the budget year. The Administrator/Treasurer reviews the budget amounts requested and meets with department heads individually to discuss potential cost savings measures and overall financial goals of the Village.
5. In late August each department reviews with the Village Board any significant budget problem areas or opportunities for the coming year and any requested changes in staffing. The Village board determines budget assumptions to be made regarding requested staffing changes and wages and benefits for non-represented and represented employees.
6. In mid-September the Village Board is given an overview of the compiled departmental budget requests. Budget policy issues are identified and discussed and final direction is provided to staff by the Board on tentative tax levy, revenue, expense, staffing, and service change assumptions to be incorporated in the proposed budget.
7. The recommended five-year capital improvement plan is typically distributed to the Village Board in mid-September and reviewed at a working session in late September or early October. The recommended operating budgets are typically distributed to the Village Board in mid-October and reviewed in multiple working sessions in late October or early November following the public hearing. The operating and capital budgets of the Water and Sewer Utility and the Stormwater Utility are typically reviewed by the Public Utilities Committee in November and forwarded to the Village Board for action in December.
8. In late October the Village Board holds a public hearing on the proposed budgets following publication of budget summaries in accordance with statutory requirements. Members of the public are encouraged to comment at the public hearing on the proposed budgets and their impact on municipal services.
9. For a one week period following the final budget review meeting Village Board members may submit requests for changes to the proposed budgets. Any proposed changes will be circulated to all other Board members and staff for proper evaluation and analysis of operational and service impacts prior to discussion and possible action at the subsequent Village Board meeting. Consideration of budget changes not submitted by the deadline will be determined by a majority of the Village Board.
10. The budget for each individual fund is adopted separately by the Village Board which also approves the overall tax levy for Village purposes and the composite tax levy to be collected for all taxing jurisdictions. The adoption of non-utility budgets typically occurs on the second Monday in November.

Adopted 08.27.12

# REVENUE POLICY

## POLICY PURPOSE

The Village needs to maintain a diversified and stable revenue base to shelter it from unanticipated fluctuations and to minimize reliance on the property tax. Similar sources and uses of revenues should be matched to the extent possible to ensure adequate and equitable funding for various Village services and programs over the long term.

## POLICY IMPLEMENTATION OBJECTIVES

### A. GENERAL CONSIDERATIONS

1. Each year and whenever appropriate, existing revenues will be re-examined by the Administrator/Treasurer and staff and possible new sources of revenues will be explored to ensure that the Village is optimizing its revenue potential.
2. The Village will establish all user charges and fees at a level related to the actual cost of providing the service. Each year the Village will recalculate the direct and indirect cost of services supported by user fees to identify the impacts of inflation and other cost increases.
3. Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of the Village. One-time revenues will be used for capital improvements or as legally restricted to a specific purpose.
4. Each year and whenever appropriate, intergovernmental revenues will be reviewed to determine their short and long-term stability, to minimize the impact of any adverse changes. Intergovernmental revenues shall be used as legally prescribed or otherwise set forth by policy.
5. Any amounts due to the Village will be carefully and routinely monitored. An aggressive policy of collection will be followed for all receivables, including property taxes. In addition, proprietary funds will generate revenue sufficient to support the full direct and indirect costs of these funds.
6. All potential grants and other aid shall be carefully examined for matching requirements and restrictive covenants, to ensure that Village participation in such grants will be beneficial and cost-effective.

### B. BUDGET CONSIDERATIONS

1. Annual revenue will be estimated using an objective, analytical process.
2. Revenues are to be budgeted for debt service amounts relating to general obligation debt before they are allotted for any other type of expenditure.

3. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees and cost sharing with other governmental units and other Village funds such as utilities. User fees and cost allocation formulas will be reviewed annually by the Village Board as part of the budget process, and revised as necessary to reflect inflation and other cost increases.
4. Payments in lieu of taxes from municipal utilities will be budgeted and based on utility estimates.
5. Commercial revenue sources will be budgeted conservatively.
6. Proceeds from the sale of equipment or excess property will not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund (for example, proceeds from equipment sales should be recorded in the fund the equipment was replaced from)
7. Revenue estimates for the annual budget will take into consideration the statistical ten-year analysis of revenue trends, property tax levies and property value growth percentages and the current year projected financial results.

#### C. REVENUE MONITORING

1. A comparison of actual revenues to budgeted amounts will be made by the Administrator/Treasurer on a monthly basis. A report will be made to the Finance Committee and Village Board at mid-year or anytime the likelihood of a significant revenue shortfall is identified. If the shortfall is anticipated to be other than temporary, the Administrator/Treasurer will coordinate the development of a plan to maintain a balanced budget.

#### D. OTHER CONSIDERATIONS

1. New sources of non-property tax based revenue should be actively explored and discussed throughout the year.
2. Intergovernmental grant requests shall be reviewed by the Administrator/Treasurer and the Village Board prior to the application being submitted, whenever possible. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the Village relating to the grant's purpose and to provide an overall budgetary review of grant proposals. Grants requiring Village matching funds should be reported to the appropriate committee or commission and Village Board prior to submission of the grant application. The Village Board shall approve all matching funds grant awards prior to the final acceptance of a grant. Grant reimbursement requests should be submitted to the Administration Department for tracking of grant activity and proper recording of grant revenues.

Adopted: October 10, 2011

## G.F.O.A. Distinguished Budget Award Requirement Review

### #C1. | TABLE OF CONTENTS

Include a table of contents that facilitates easy access to information.

✓ Requirements met

### #P1. | STRATEGIC GOALS & STRATEGIES

Provide a coherent statement of organization-wide, strategic goals and strategies that address long-term concerns and issues.

✓ Requirements met

### #P2. | PRIORITIES AND ISSUES

Provide a budget message that articulates priorities and issues for the upcoming year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g. transmittal letter, budget summary section*).

➤ Unmet Requirements:

- Explain how the priorities for the budget year differ from the priorities of the current year

### #C2. | BUDGET OVERVIEW

An overview of significant budgetary items and trends should be provided. The overview should be presented within the budget as a separate section (*e.g., budget-in-brief*) or integrated within the transmittal letter.

➤ Unmet Requirements:

- Present a summary of changes between the proposed to adopted budget

### #O1. | ORGANIZATION CHART

Provide an organization chart for the entire entity.

➤ Unmet Requirements:

- Provide legible organization chart that shows the entire entity

### #F1. | FUND DESCRIPTIONS AND FUND STRUCTURE

Describe all funds that are subject to appropriation.

✓ Requirements met

### #O2. | DEPARTMENT/FUND RELATIONSHIP

Provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.

➤ Unmet Requirements:

- Explain/illustrate relationship between entity's financial units, major funds, and nonmajor funds in the aggregate

### #F2. | BASIS OF BUDGETING

Explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

➤ Unmet Requirements:

- Define basis of budgeting (*e.g. modified accrual, cash, or accrual*) for all funds
- If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, clearly state that fact

- If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, describe the differences

### #P3. | FINANCIAL POLICIES

Include a coherent statement of entity-wide long-term financial policies.

#### ➤ Unmet Requirements:

- Summarize financial policies
- Define balanced budget in financial policies

### #P4. | BUDGET PROCESS

Describe the process for preparing, reviewing, and adopting the budget for the coming fiscal year. Also, describe the procedures for amending the budget after adoption.

#### ➤ Unmet Requirements:

- Describe the process used for amending the budget after adoption

### #F3. | CONSOLIDATED FINANCIAL SCHEDULE

Present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

#### ✓ Requirements met

### #F4. | THREE YEAR CONSOLIDATED AND FUND FINANCIAL SCHEDULES

Include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and the proposed budget year.

#### ✓ Requirements met

### #F5. | FUND BALANCE

Include projected changes in fund balance/net position for appropriated funds included in the budget presentation.

#### ➤ Unmet Requirements:

- Include entity's definition of fund balance/net position
- Present fund balance/net position information for the budget year
- Provide a schedule showing increases or decreases in total fund balances/net positions
- Present increases or decreases in total fund balances/net positions for each major fund and for nonmajor governmental funds in the aggregate
- Include a discussion of the causes and/or consequences of anticipated increases or declines of more than 10% in fund balances of any major fund or the nonmajor funds in the aggregate.

### #F6. | REVENUES

Describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

#### ➤ Unmet Requirements:

- Describe methods used to estimate revenues for the budget year described (*e.g. trend analysis, estimates from another government or consulting firm*)
- If revenues are projected based on trend information, adequately describe both those trends and the underlying assumptions

## #F7. | LONG-RANGE OPERATING FINANCIAL PLANS

Explain long-range operating financial plans and their effect upon the budget and the budget process.

### ➤ Unmet Requirements:

- Identify assumptions used in long-range operating financial plans
- Provide a concise explanation of the significance of the long-range operating financial plans in its relations to achieving strategic goals

## #F8. | CAPITAL PROGRAM

Include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

### ➤ Unmet Requirements:

- Include dollar amounts along with description of significant nonrecurring capital expenditures
- Describe and quantify how specific nonrecurring capital projects will affect the entity's current and future operating budget

## #F9. | DEBT

Include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current operations.

### ➤ Unmet Requirements:

- Describe and calculate debt limits and coverage requirements
- Present amount of principal and interest payments through maturity for each fund
- Show bond ratings
- Include the purpose of the difference debt obligations

## #03. | POSITION SUMMARY SCHEDULE

A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

### ➤ Unmet Requirements:

- Provide a summary table of position counts for the entire entity
  - Table should include the prior year, current year, and budget year position counts

## #04. | DEPARTMENTAL/PROGRAM DESCRIPTIONS

Include departmental/program descriptions.

✓ Requirements met

## #05. | DEPARTMENTAL/PROGRAM GOALS AND OBJECTIVES

Include clearly stated goals and objectives of the department or program.

### ➤ Unmet Requirements:

- Clearly link departmental/program goals to the strategic goals of the entity
- Ensure objectives are quantifiable
- Note time frames on objectives

## #06. | PERFORMANCE MEASURES

Provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific departments and programs.

➤ Unmet Requirements:

- Include performance data for individual departments or programs
- Ensure performance data is directly related to the strategic goals and objectives of the department or program
- Ensure performance measures focus on results and accomplishments (*e.g. output measures, efficiency and effectiveness measures*) rather than inputs (*e.g. dollars spent*)

### #C3. | STATISTICAL/SUPPLEMENTAL SECTION

Include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

#### ➤ Unmet Requirements:

- Include statistical information that defines the community (*e.g. population, composition of population, land area, and average household income*)
- Include supplemental information on the local economy (*e.g. major industries, top taxpayers, employment levels, and comparisons to other local communities*)
- Include other pertinent information on the community (*e.g. local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*)

### #C4. | GLOSSARY

A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to an informed lay reader.

#### ➤ Unmet Requirements:

- Include glossary that defines technical terms related to finance and accounting as well as non-financial terms related to the entity
  - Define acronyms or abbreviations used in the document in the glossary
  - Glossary should be written in non-technical language

### #C5. | CHARTS AND GRAPHS

Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative information should be provided when the messages conveyed by the graphs are not self-evident.

#### ➤ Unmet Requirements:

- Explain charts and graphs graphics used in the document to convey essential information (*e.g. key policies, trends, choices and impacts*)

### #C6. | UNDERSTANDABILITY AND USABILITY

The budget information should be produced and formatted in such a way as to enhance its understanding for the average reader. It should be attractive, consistent, and oriented to the reader's needs.

#### ➤ Unmet Requirements:

- Include links to other forms of budget communication, like videos, social media, etc.