


BUDGETING & FINANCIAL OVERSIGHT



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Stop Campaigning and Begin Governing

The skills used to win an election are counterproductive as governing tools.

- **Campaigning**
 - Competitive
 - Adversarial
- **Governing**
 - Collaboration
 - Consensus building
 - Compromise

Stop Campaigning and Begin Governing

- Don't be hamstrung by unrealistic or uninformed election promises.
- Brace yourself for information overload.
- Protect your meeting time like the last potato chip.
- Get used to the sunshine.
- Know when to compromise.

Stop Campaigning and Begin Governing

- Learn about public finances.
- Establish a continuous self-education program.
- Build a positive relationship with staff.
- Don't be afraid to ask questions.
- Don't be reluctant to say "I don't know".

Mission of the Budget Process

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets while promoting stakeholder participation in the process.

Budget Cycle



12 Elements of the Budget Process

Establish Broad Goals to Guide Government Decision Making

1. Assess community needs, priorities, challenges and opportunities.
2. Identify opportunities and challenges for government services, capital assets, and management.
3. Develop and disseminate broad goals.

12 Elements of the Budget Process

Develop Approaches to Achieve Goals

4. Adopt financial policies.
5. Develop programmatic, operating, and capital policies and plans.
6. Develop programs and services that are consistent with policies and plans.
7. Develop management strategies.

12 Elements of the Budget Process

Develop a Budget Consistent with Approaches to Achieve Goals

8. Develop a process for preparing and adopting a budget.
9. Develop and evaluate financial options.
10. Make choices necessary to adopt a budget.

12 Elements of the Budget Process

Evaluate Performance and Make Adjustments

11. Monitor, measure, and evaluate performance.
12. Make adjustments as needed.



Wisconsin Budgets (§65.90, Stats.)

- Section §65.90 of the Wisconsin Statutes
- Required publication/summary
- Required categories, not format
- Required public hearing



Budget Approaches- Why It Matters

The approach frames the question elected officials ask and the types of decisions they make.

- Line-item Budgeting: What are we buying?
- Zero-based Budgeting: What can we cut?
- Performance Budgeting: What are we accomplishing?
- Program Budgeting: What is our strategy and desired outcome?

Line-item Budgeting

- Lists goods or services to be purchased.
- Budget prepared using a previous budget or actual performance as a base, with incremental amounts added for the new budget period.
- Still the most widely used budget format.

Zero-based Budgeting

- Technique of planning and decision-making which reverses the working process of traditional budgeting.
- Every department function is reviewed comprehensively and all expenditures must be approved, rather than only increases.
- Indifferent to whether the total budget is increasing or decreasing.

Performance Budgeting

- Measures how much work gets done.
- Places costs on functions. People are able to see exactly what it costs to have a specific function performed by a local government.

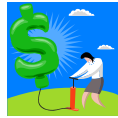
Program Budgeting

- Places specific funding levels on specific programs which are to be carried out by an organization.
- Based on objectives and missions not functions.



Budgets Built – Bottom up

- Begins with the staff, at the "bottom", who are in position to know what must be spent in the coming year.
- The staff assembles the budget, and sends it to the governing body.



Budgets Built – Top down

- Budget begins with the governing body, at the "top", who tells the staff approximately or exactly what they will be allowed to spend in the coming year.

Most of the time there will be elements of both top down and bottom up budgeting in the process.



Budget Timeline

- Preparation
- Review
- Adoption

Preparation

- May – Budget instructions including Council directives and worksheets distributed
- Mid August – Deadline for Departmental submission (Personnel sheets, new program requests, expenditure requests)
- Late August, early September – Staff compiles initial requests
- September – Manager/Mayor review & changes
- Late September, Early October – Present Budget

Review

- October – Discussions/Budget work sessions
- Late October – Required publication
 - 15 day advanced notice.

Adoption

- Early to mid November – Public Budget Hearing
- Mid November – Governing Body adopts budget

Basic Governmental Accounting

- Revenue – Expenditures = Change in Fund Balance
- Balanced Budget is when Revenue equals Expenditures
- Assets = Liabilities + Fund Balance

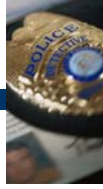
Options for Balancing the Budget

Faced with financial constraints, public officials must choose among these options:

- Raise revenues by increasing taxes or fees.
- Cut costs and services.

How to Balance the Budget

- Identify core services.
- Focus on priorities.
- Improve operating productivity.
- Determine why cutbacks are really necessary.
- Rightsizing instead of downsizing.



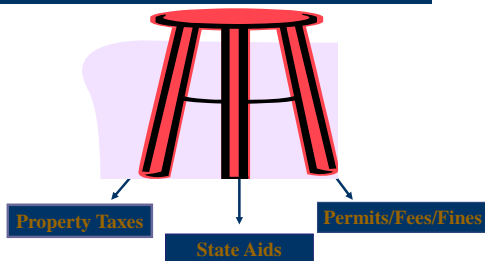
How NOT to Balance the Budget

DON'T:

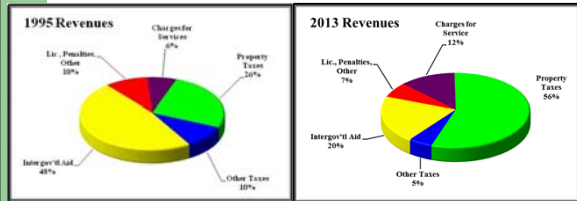
- Cut revenue producing programs.
- Deplete the reserves.
- Make across-the-board cuts.
- Defer equipment purchases.
- Cutback on capital expenditures.
- Eliminate training and workshops.



“Three Legged Stool” of Revenue



Comparison of General Fund Revenues



Revenue Categories (\$65.90)

- Taxes – real property and personal property
- Special assessments
- Intergovernmental – state aids
- License and permits
- Fines and forfeitures
- Charges for services
- Misc & other

Special Assessments (\$66.07)

- Benefits individual property owner.
- Based on lineal street frontage charges.
- Assessed over 3-10 year period plus interest.
- Typical special assessments - street repair, curb and gutter, sidewalks.

State Revenue Sharing (§Chapter 79)

- County and Municipal Aid (formerly known as State Shared Revenue)
- Public Utility Distributions
- Expenditure Restraint Program
- Computer Exemption
- School Levy, Lottery, First Dollar Tax Credit
- Other

Intergovernmental Aid (Shared Revenue)

- County and Municipal Aid
- Utility Aid
- Expenditure Restraint Program
- Exempt Computer Aid

County and Municipal Aid

- Program began in 1911 with state income tax 70% to municipality, 20% county.
- 1972 return to origins system replaced with formula based on need
- 2001 formula basis ends and appropriations made based on 2001 basis
- Funding reduced in 2009 & 2011 biennial budgets.

Utility Aid

- In general, gas and electric utilities are exempt from property taxes.
- Payment based on the value of qualifying property and the megawatt capacity of new power plants going online after 12/31/2003.

Expenditure Restraint Program (\$79.05)

- Provides aid to qualifying municipalities that limit growth in spending.
 - Property tax rate must be at least 5 mills.
 - GF Budget Expenditure increase less than 60% of net new construction plus CPI.
- Payment meant to discourage increased spending by targeting aid to high-tax rate communities that restrain spending growth.
- Payments made the 4th Monday in July.

Exempt Computer Aid

- Since 2000, computers, software and related equipment have been exempt from property tax.
- Payment equals value of exempt property multiplied by the local tax rate.

General Transportation Aid (\$86.30)

- Distributed to all counties, cities, villages, and towns – 1922.
- Rate per mile and 6 yr average of costs.
- Paid from transportation fund.
- <http://www.dot.wisconsin.gov/localgov/highways/gta.htm>

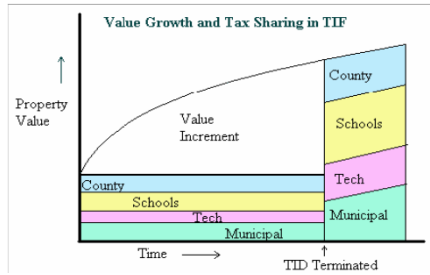
Other Revenue

- Fines & Forfeitures
- Special Assessments
- Special Fees
- User Fees
- Contracts for Services
- Sale of Materials
- Permits
- City operations
- Parking/Traffic fines
- Business licenses
- Dog, cat licenses
- Parade, park shelters
- Recycling, cable
- Parking, library
- Grants

Tax Increment Financing (Municipal: \$66.1105 Town: \$60.85)

- Promote tax base expansion
- All entities become partners
- Not tax freeze nor tax increase
- Special allocation

TIF Sharing



Payments in Lieu of Taxes (PILOT)

- State Department of Administration reimburses municipalities for services to State facilities and land:
 - Police, Fire and EMS (§70.119 Payments for Municipal Services)
- Other local agencies are required to make payments for services as well:
 - Public utilities
 - Housing authorities
- Optional for most tax-exempt agencies and organizations, but worth a try:
 - Street lighting, water hydrant rental, police security, solid waste hauling
 - Possible to trade off unplanned improvements for PILOTS

Expenditure Categories (§65.90)

- General Government
- Public Safety
- Public Works
- Health and Human Services
- Cultural
- Recreation and Education
- Conservation and Development
- Capital Outlay
- Debt Service
- Other Financing Uses

Major Expenditure Considerations

- Wages, salaries, fringes can make up over 60% of the annual budget.
- 20-30 percent are purchases of goods, supplies, services and equipment from private firms.
- About 10 percent are contracts or agreements with other units of local government.

Projecting Personnel Wages and Salaries

- Look at steps, upgrades and promotions.
 - Position control
 - Pay classification plan
- Wisconsin Act 10/32
 - Municipal employer prohibited from bargaining collectively (any factor or condition of employment except wages).
- Calculate annual adjustment.
 - across the board
 - budget for vacant positions

Projecting Fringe Benefits

- Health Insurance costs
- FICA
- Wisconsin Retirement
- Dental and Life



Debt Service

- Payments of principal and interest.
- Debt may not be bad, match useful life with funding.
- State caps debt at 5% of equalized value.
- Local policy.
- Review capacity for long-term planning.
- Credit rating/impact on future requests.

Capital Projects

- Beyond the current year.
- Prepare policies and plans for capital asset acquisition, maintenance, replacement, and retirement.
- Capital budgeting prior to or after operating budget.

Fund Balance Basics

- Reserve vs. unreserved
- Cash flow
- Revenue volatility
- Lawsuits
- Emergencies
- Future obligations
- Ability to borrow

Amount of Fund Balance

- General Fund policy
- Reserve policies of other funds
- Review historical trend
- Safe range 8-15% of operating budget



Enterprise (Proprietary) Funds



- Museums
- Airports
- Parking Garages
- Expo Centers
- Zoos
- Hospitals
- Water Systems
- Pools
- Transit
- Ice Center

Basic Property Tax Terms

- Assessed valuation (ex. \$150,000)
- Equalized property values (\$160,000)
- Assessment ratio (93.75%)
- Assessment schedule
- Tax Levy
- Tax Rate/Mill Rate

Computing the Proposed Tax Levy

Operating Expenditures - Non-Property Tax Revenues = Proposed Operating Tax Levy

EXAMPLE: Proposed expenditures \$9,000,000
 - Non-Tax Revenues (or FB) - 3,000,000
 Proposed Tax Levy = \$6,000,000

Tax Rates

$\frac{\text{Operating Levy}}{\text{Assessed Value (- TIF's)}} = \text{Mill Rate}$

2012 Tax Rate	2013 Tax Rate
$\frac{\$ 6,000,000}{\$750,000,000} = .00800$	$\frac{\$ 6,120,000}{\$765,000,000} = .00800$

Property Tax Levy Limit (\$66.0602)

- 3.86% in 2007, 2.0% in 2008, 3% in 2009 and 2010 or the increase in net new construction, whichever is greater
- 2013 - 0% plus net new construction
- Reduce levy limit for debt service on debt issued prior to 7/1/05, if less than the previous year.

Evaluation

- Interim financial reports
- Annual financial report
- Performance measures

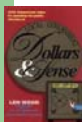


Know Your Financial Oversight Responsibilities



- Exercise oversight responsibilities
- Maintain your independence
- Public finances need not be boring
- Avoid micromanagement
- Develop financial policies

Local Government Budgeting Books



- **Local Government Dollars & Sense**
 - 225 Financial Tips for Guarding the Public Checkbook, by Len Wood
 - www.trainingshoppe.com



- **Budgeting - A Guide for Local Gov't**
 - by Robert L. Bland
 - <http://bookstore.icma.org>

Local Government Budgeting Books



- **Recommended Budget Practices**
 - National Advisory Council on State and Local Budgeting (NACSLB)
 - www.gfoa.org/services/nacslb/

Safe Smart and Open Ended Questions To Get a Feeling for Your Budget

1. What are the underlying assumptions such as inflation, interest rates, population changes, grants, building activity?
2. What are the three most important problems? Opportunities?
3. How does this budget compare to last year's adopted budget?
4. What is the percentage change for the general fund as compared to last year's adopted budget?
5. What are the most significant dollar changes?
6. How do recurring revenues compare to recurring expenditures?
7. How have the general fund balances changed?
8. How have general fund reserves changes?
9. How have other reserves changes?
10. Are any funds subsidizing other funds? (such as the Water Fund subsidizing the General Fund)
11. Are capital improvements being maintained at an adequate level?
12. How much have revenues increased from last year's adopted budget.
13. What budgetary policy limits have been exceeded?
14. What policies have not been met?
15. Is the general fund budget balanced?
16. Is there a deficit in any fund? Why?
17. Are major revenues estimated conservatively or liberally?

Glossary of Wisconsin Government Terms

Account. A classification established for the purpose of recording revenues and expenditures. (The various classifications used are likely to be drawn from a "chart of accounts" developed or adopted by the unit of government.)

Accrual Basis of Accounting. The basis in which revenues are recorded when earned (whether or not actual payment is received at that time) and expenditures are recorded when goods and services are received (whether or not payment is made at that time).

Accountability. The state of being obliged to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry -- to justify the raising of public resources and the purposes for which they are used.

Activity. A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., police is an activity within the public safety function).

Ad Valorem Tax. A tax based on value (e.g., a property tax).

Adopted Budget. The governing body shall adopt by a majority vote financial plan for the ensuing fiscal year. It shall contain; a general summary, detailed estimates of all anticipated revenue, all expenditures, and a compensation schedule.

Allocation. Most often refers to the division of tax proceeds among local agencies.

Allotment. A part of an appropriation that may be encumbered or expended during a given period.

Amended Budget. Legal alterations to the Adopted Budget as provided by Wisconsin Statutes that require a two-thirds vote of the governing body

Appropriation. A legal authorization granted by the governing body which permits public officials to incur obligations and make expenditures up to the amount of money allocated and within time limits set by the governing body. Does not mean it will be fully expended.

Assessed Valuation. A dollar value placed upon real estate or personal property by the local assessor, as a basis for levying property taxes.

Audit. A careful examination, using generally accepted accounting principles and practices, giving the independent auditor's opinion whether or not revenues and expenditures are fairly reported.

Basis of Accounting. A term used to refer to *when* revenues, expenditures, expenses, and transfers -- and the related assets and liabilities -- are recognized in the accounts and reported in the financial statements (Accrual, Modified Accrual, or Cash).

Balance Sheet. A statement which discloses the financial condition of an entity by assets, liabilities, reserves, and equities of a fund or account group at a specific date to exhibit financial position.

Balanced Budget. A budget in which revenues and expenditures are equal.

Bill. A term used to denote a law or statute passed by the State legislative bodies, which is listed by the body in which introduced it. AB indicates it was first introduced in the Assembly, SB represents the

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Senate.

Bond. A City may raise capital by issuing a written promise to pay a specified sum of money called the face value, or principal amount, at a specified date or dates in the future, together with periodic interest, at a special rate.

Bond Rating. A level of risk assigned to general obligation debt assessed by a rating agency, such as Moody's, S & P, Fitch, etc. The higher the rating, the less risky the bonds are.

Budget. A financial and program operation plan to provide services and capital assets which lists appropriations and the means of financing them for a given time period.

Budget Calendar. The schedule of events that need to occur and the date or period of time for each to occur in the preparation, review and adoption of a budget.

Budget Message. The opening section of the budget prepared by the Chief Administrative or Executive Officer which provides the governing body and the public with a general summary of the most important aspects of budget policy, including changes from the current and previous fiscal years.

Budgetary Control. The control or management of a government or enterprise in accordance with an adopted budget for the purpose of keeping expenditures within the limitations of available appropriations and revenues.

Capital Improvements. Physical improvements which typically cost over \$5,000 and will have a useful life of a year or more and involve the construction or reconstruction of a physical asset. Examples are street reconstruction, storm drain construction, recreational and other facility construction, etc. Also known as capital assets or fixed assets.

Capital Improvement Plan. A plan listing priorities for major capital improvement projects anticipated over a fixed number of years (usually three to seven years), their costs, and methods of financing the expenditures.

Capital Outlay. A budget category which accounts for all furniture and equipment having a unit cost of \$1,000 or more and a useful life of more than one year.

Cash Basis of Accounting. The basis in which revenues are recorded when received in cash and expenditures are recorded when payment is made in cash.

Contingency Funds. Assets or other resources set aside to provide for unforeseen expenditures or for anticipated expenditures of uncertain amounts.

Debt. An obligation resulting from the borrowing of money or purchase of goods and services. Debts of governments include bonds, time warrants and notes.

Debt Limit. The maximum amount of debt legally permitted. In Wisconsin General Obligation debt is limited to 5% of the equalized value.

Debt Service. The amount of money required to pay principal and interest on outstanding debt.

Defeasance. Defeasance occurs with the refunding of an outstanding bond issue before the final

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payment, or a provision for future payment, of principal and interest on a prior issue.

Deficit. The excess of expenditures/uses over revenues/resources.

Department. An organizational unit comprised of programs and sub-programs. Each department is managed by a single director.

Depreciation. The portion of the total expended to acquire a capital asset charged as an expense during a particular period of time. Depreciation is usually estimated in a straight line calculation in which the original value is decreased each year as a percentage of full value over the expected life of the asset.

Designated for Subsequent Year. A portion of this year's unreserved fund balance to provide for the excess of expenditures and other financing uses over revenues and other financing sources budgeted in the next year.

Division. A unit within a Department that contains the necessary administrative services to function as a self-contained program or service.

Eminent Domain. The power of a government to acquire private property for public purposes. It is used frequently to obtain real property that cannot be purchased from owners in a voluntary transaction. When the power of eminent domain is exercised, owners normally are compensated by the government in an amount determined by an independent appraisal of the property.

Employee Benefits. Compensation in addition to regular salary or wages provided to an employee. This includes health insurance, life insurance, dental insurance, Social Security, Wisconsin Retirement, and salary continuance (disability insurance).

Encumbrances. Financial commitments related to unperformed services or contracts for goods for which part of an appropriation has been reserved.

Endowment. Funds or property that are donated with either a temporary or permanent restriction as to the use of principal.

Enterprise Fund. A type of fund established to account for the total costs of those governmental facilities and services which are operated in a manner similar to a private business.

Equalized Valuation. The statutory full market value of all taxable property within each jurisdiction (except agricultural land is valued based on income). The State Department of Revenue analyzes market sales statewide to estimate the full market (or equalized) value for each jurisdiction. Equalized values provide a means of comparing different jurisdictions, even if they are assessed at different percentages of market value. Equalized values are used to apportion the levies of overlying districts (for example, schools and counties) to the municipalities within them. Also, they are used in distribution formulas for certain types of state aid to local governments. The state values are needed because municipalities assess property at varying percentages of market value.

Expenditures. Expenditures include current operating expenses which require the current or future use of net current assets, service and capital outlays.

Expenses. Decreases in net total assets. Expenses represent total cost of operations during a period regardless of the timing of related expenditures.

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Fines and Forfeitures. The automatic loss of cash or other property as a penalty for not complying with legal provisions and as compensation for the resulting damages or losses.

Fiscal Year. A twelve-month period of time used for budgeting, accounting or tax collection purposes which may differ from a calendar year. Wisconsin municipal entities operate on a calendar basis from January 1 to December 31.

Fixed Budget. A budget setting forth dollar amounts that are not subject to change based on the volume of goods or services to be provided.

Fixed assets. See "Capital Improvements."

Franchise. A special privilege granted by a government permitting the continuing use of public property, such as City streets, and usually involving the elements of monopoly and regulation.

Full Time Equivalent (FTE). A term used to compare the hours budgeted for regular full-time and regular part-time, temporary part-time and overtime based on 2,080 hours annually of a full time position.

Function. A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety).

Fund. An independent fiscal and accounting term used to record all financial transactions related to the specific purpose for which the fund was created.

Fund Balance. The fund equity of governmental funds and trust funds consisting of the excess of assets over liabilities. Two type of Fund Balance are:

Reserved Fund Balance – A portion of fund balance, which is not available for other expenditures and is legally segregated for a specific use.

Unreserved Fund Balance

- *Designated* – A portion of fund balance established to indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change and may never be legally authorized or result in expenditures such as designations for operations and for subsequently budgeted expenditures.
- *Undesignated* – The remainder of fund balance which is neither reserved nor designated.

Governmental Fund Types. Funds used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities -- except those accounted for in proprietary funds and fiduciary funds. In essence, these funds are accounting segregations of financial resources.

Grant. Contributions or gifts of cash or other assets from another governmental entity to be used or expended for a specific purpose, activity or facility.

Impact Fees. Fees charged to developers to cover, in whole or in part, the anticipated cost of

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improvements that will be necessary as a result of the development (e.g., parks, sidewalks).

Infrastructure. Facilities on which the continuance and growth of a community depend on such as roads, water lines, sewers, public buildings, parks and so forth.

In-Lieu Tax. Tax levied or payment in place of another tax or taxes.

Interfund Transfers. Transfers are classified into residual equity transfers and operating transfers. Residual equity transfers are non-recurring or non-routine transfers of equity between funds. Operating transfers reflect ongoing operating subsidies between funds. An example of operating transfer is when the General Fund would report its annual subsidy to fund capital improvements in the Capital Projects Fund.

Internal Service Fund. A fund used to account for the financing of goods or services provided by one department or agency to the other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Lapse. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations, an appropriation is made for a certain period of time. At the end of this period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

Levy. To impose taxes, special assessments or service charges for the support of governmental activities.

Liquidity. The ability to convert an investment (of idle funds) quickly in order to meet obligations with minimum loss of earning power.

Line-item. The classification of expenditures on the basis of categories called objects-of-expenditure and within each category more detailed line-items (salaries, travel, telephone expense, etc.). (This type of budget, traditionally used among local units of government, focuses attention on how much money is spent and for what purpose rather than the activity affected or its outcomes.)

Management letter. A letter from the independent auditors that is usually a series of findings or recommendations on ways the financial management policies and practices may be improved.

Maintenance and Operations. A budget category which accounts for all the supplies, goods, and services required to support a program or activity.

Measurement Focus. The accounting convention that determines (1) which assets and which liabilities are included on a government's balance sheet and where they are reported there, and (2) whether an operating statement presents information on the flow of financial resources (revenues and expenditures) or information on the flow of economic resources (revenues and expenses).

Mission. A statement defining the major reasons for the existence of the department including its purpose.

Modified Accrual Basis. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period.

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Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed. All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting.

Municipal. Any county, city, village, town, technical college district, special purpose district or board or commission, and any public or quasi-public corporation or board or commission created pursuant to statute, ordinance or resolution, but does not include the state, a state agency, or corporation chartered by the state or a school district. In its broadest sense, an adjective denoting the state and all subordinate units of government. In a more restricted sense, an adjective denoting a city or village as opposed to other local governments.

Objectives. Departmental statements describing significant activities to be accomplished during the fiscal year.

Objects of Expenditures. The individual expenditure accounts used to record each type of expenditure are categorized into groups of similar types of expenditure City operations may incur. For budgeting purposes, objects of expenditure are categorized into groups of similar types of expenditures called major categories of expenditure. The principal objects of expenditure used in the budget are:

- “ **Personnel Services.** Salaries and fringe benefits paid to City employees. Includes items such as health/dental insurance, retirement contributions, educational and other benefits.
- “ **Maintenance and Operations.** Supplies and other materials/services used in the normal operations of City departments. Includes items such as books, chemicals and construction materials, consultant contracts, vehicle use charges, advertising, travel and utilities.
- “ **Capital Outlay.** A budget category which budgets all equipment having a unit cost of more than \$1,000 and an estimated useful life of more than one year. This includes furniture, automobiles, machinery, equipment and other types of fixed assets.

Obligations. Amounts a government may be required legally to meet out of its resources. They include not only actual liabilities, but also unliquidated encumbrances.

Operating Budget. A financial, programmatic, and organization plan, for furthering the goals of the governing body for the current year.

Operating Transfers. All interfund (between fund) and intrafund (within funds) appropriation transfers other than residual equity transfers, (Fund Balance), e.g. legally authorized, to the appropriation unit of the fund through which the resources are to be expended.

Other Financing Sources. Funds received from general long-term debt proceeds, operating transfers in, and material proceeds of fixed asset dispositions. Such amounts are classified separately from operating revenues.

Other Financing Uses. Funds used for operating transfers out. Such amounts are classified separately

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from expenditures.

Ordinance. A formal legislative enactment by the City Council. An Ordinance has the full force and effect of law within the City boundaries, unless it is in conflict with any higher form of law, such as a State Statute or constitutional provision. An Ordinance has a higher legal standing than a Resolution.

Performance Budget. A budget that bases expenditures primarily upon measurable performance of activities and work programs. A performance budget may also incorporate other bases of expenditure classification, such as character and object class, but these are secondary to activity performance.

Per Capita Income. Total income divided by the population.

Performance Measures. Indicators that allow the assessment of program accomplishments.

Personnel Costs. Budget category used to denote salaries and wages as well as all associated benefits such as employer paid pension cost, social security, health life, dental, and disability insurances, vacation, holidays and sick leave.

Principal. In the context of bonds, the face value or par value of a bond or issue of bonds payable on stated dates of maturity.

Program. A division of a department which specifies a particular group of activities.

Program budget. The classification of expenditures on the basis of programs, significant problems or policy issues each attempts to deal with, and alternatives for dealing with them. (This type of budget focuses attention on the kinds of problems and policy issues chief executives and governing bodies are expected to resolve and, in a summary fashion, the resources needed to resolve them.)

Property Tax. Taxes levied and revenue received based on both real and personal property assessed valuation and the tax rate.

Proprietary Fund Types. Sometimes referred to as income determination or commercial-type funds, the classification used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector (i.e., enterprise and internal revenue funds). All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business and quasi-business activities are accounted for through proprietary funds.

Reappropriation. The amount of money budgeted for a project in a prior year, but not spent, or encumbered, and which needs to be appropriated again in the current year.

Reimbursements. Payments remitted on behalf of another party, department, or fund. These amounts are recorded as expenditures, or expenses, in the reimbursing fund, and as reductions of the expenditure, or expense, in the fund that is reimbursed.

Reserve. An account used to earmark a portion of the fund balance as legally segregated, for a specific use.

Restricted assets. An account set up to control monies or other resources, the use of which is restricted by legal or contractual requirements.

Glossary of Wisconsin Government Terms

Resolution. A special order of the governing body, which requires less legal formality than an Ordinance, in terms of public notice, and the number of public readings prior to approval. A Resolution has lower legal standing than an Ordinance.

Revenues. Amount received for taxes, fees, permits, licenses, interest, use of property, and intergovernmental sources during the fiscal year.

Special Assessment. A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

Special Revenue Funds. This fund is separately administered because revenues are restricted by the City Council, the State of Wisconsin, the Federal Government, or other governmental agencies as to how the City may spend them.

State Aid. Funds made available by the State of Wisconsin for distribution to local governments based on a prescribed formula of distribution to offset some expenditures.

Statute. A written law enacted by the State of Wisconsin Legislature.

Sub-Program. A division of the program unit. Sub-programs are used to further define a program to assist management and citizenry in better assessing the costs of providing an identifiable service.

Tax Levy. The total amount of revenues to be raised by property taxes. Property taxes are levied in the current year for the following year appropriations.

Tax Levy Rate (Mill Rate). The amount of taxes levied for each \$1,000 (mill) of assessed property valuation. For example, a tax levy budget of \$2.5 million (total property tax assessment) with a property tax base of \$1 billion (value of all taxable property) would generate a levy rate of \$2.50 per \$1,000 of assessed value. On a house value at \$100,000, the property tax would equal \$250 ($\$100 \times \2.50).

Tax Increment Districts (TID). Districts designated as areas of redevelopment, within a municipality. Financing is made available for projects that stimulate development or redevelopment that would not otherwise occur. To finance the cost of improvements, property taxes levied on any increased property value within the TID district are diverted from the overlying taxing jurisdictions (municipal, school district, vocational district and county) and, instead, are placed in a special account. The money in the account is used to pay the project and /or debt service costs.

Transfer of funds. An approved movement of monies from one separate fund to another fund. Often budgets call for Transfers In to the General Fund to pay for centralized expenditures such as utilities, insurance, or fringe benefits. Transfers Out from the General Fund may be required to subsidize new special activity funds or those with insufficient or unreliable revenue sources.

Workplan. A schedule which identifies major action steps, time frames, and person(s) responsible for accomplishment of a department, or division objective.

Zero-base budget. A budgeting approach whereby the expenditure amount for each line item is examined in its entirety each year, regardless of prior funding. Those items that cannot be justified are subject to elimination.