Budget Development and Management Policy

Purpose: The purpose of this policy is to describe the process by which the annual budget is created, presented and managed for the Village of Sister Bay.

General: The process for publication and legislative consideration of the annual budget is prescribed in Wisconsin Statutes 62.12 and 65.90. Those legislative pronouncements provide the overall framework for and minimum legal requirements of the Village budget. This policy outlines the process to be followed by the Village Board of Trustees and the Village staff in developing and presenting the annual budgets of all Village operations and funds for review and adoption.

The annual budget will include all operations of the Village, including enterprise and special revenue funds, and include both the operating budget and a capital budget for the ensuing fiscal year. The capital budget should align with the five-year capital improvement plan. The Village Board recognizes that there must be a starting point for the budget in terms of tax revenue. Therefore, annually, typically in June, the Finance Committee is to set a budget directive. In the absence of such directive, management will prepare their budgets assuming a maximum increase in operations using the prior years finalized Consumer Price Index Figure.

Development Procedures:

1. The Finance Director will review each department's budget, establish or estimate parameters for wage increases and requested personnel changes, review the Village's debt needs and capital plans, and review targets for revenue sources, tax growth, and other factors. The budget parameters will then be provided to the department directors for the creation of their preliminary department budgets.
2. Following the setting of budgetary parameters the Finance Director is responsible for coordination and initial review of department budget submissions. The budget submissions shall include proposed capital items for the 5 Year Capital Improvement Plan. Meetings will be held with departments to review their budget requests beginning as early as June of each year.
3. Following the initial review, and preferably by July, the Finance Director will compile the preliminary department budgets and present a draft to the Village Administrator. Should the need arise, the Finance Director and Village Administrator may meet with department heads again to refine the draft operating budget and make changes based on the total overall needs of the Village and established parameters.
4. In July the various committees shall review the preliminary budgets and make changes, as appropriate. Preliminary budgets are also due from the Fire Board, Library, SBAA and any other partner agencies. For agencies that do not have a budget prepared by July, an estimate must be submitted with their actual budget submitted to the Village in early August.
5. Staff shall attempt to calculate the Village's portion of TID IN calculations based on preliminary numbers obtained from the Department of Revenue (DOR) in early mid-

August. Any reference to the mill rate in the budget, and related budget documents shall use the terms "Operational Mill Rate" and "Finalized Mill Rate" as appropriate.

6. The Draft Annual Budget shall be presented to the Finance Committee in late July or early August, as schedules allow. The Finance Committee shall establish a schedule for adoption of the 5-Year Capital Improvement Plan and Annual Budget.
7. The Draft Annual Budget, which includes the 5-Year Capital Improvement Plan, and adoption schedule, shall be presented to the Board of Trustees for review in September. Following this review, additional department adjustments or Finance Committee recommendations may follow.
8. The budget summary is properly noticed and published in accordance with state statutes. A public hearing on the budget is conducted not less than 15 days after the summary is published. The Village Board deliberates the proposed budget at or following the public hearing.
9. The budget is adopted by the Village Board through an appropriate resolution and two-thirds vote. Once adopted, the Finance Director is responsible for ensuring that the adopted version of the budget document is provided to all departments, Trustees, and made available to the public.
10. Per statute, the tax levy must be determined no later than December 15th. However, due to the Village's arrangement with Door County for tax bill preparation services, the tax levy should be established before Thanksgiving (or sooner) per the deadline set by the County.
11. The DOR publishes a finalized statement of assessment rates in November, which will likely be after the County's deadline for receiving the tax levy to prepare tax bills. Upon receipt of these numbers, the Finalized Mill Rate shall be brought back to the Board for review. The Board may provide consensus of no changes to the budget or request an amending resolution which must be passed by two-third vote.

Management Procedures:

1. Annual revenues will be estimated by an objective, analytical process with involvement of staff related to the revenue line item. User fees will be reviewed annually by departments and the appropriate standing committees will address recommended changes as part of the budget process to ensure full cost recovery.
2. Enterprise fund payments in lieu of taxes shall be budgeted based on estimates and revised based on final numbers during the budget year.
3. Revenues with high volatility should be budgeted conservatively. Revenues which are generally received, but of which there is not reasonable assurance of receipt, will not be budgeted.
4. Proceeds from the sale of property or equipment shall not be budgeted as operating revenue unless such amounts can be accurately projected. Any such proceeds received shall be recorded in the appropriate fund.

5. The Village Board desires to stay informed as to major outlays. Though authorized by the Budget Resolution, sums expended in excess of $50,000 for capital purchases should be reported to the respective committee charged with oversight for the section of the Budget from which funds were appropriated. The committee may require Board approval of the expenditure.
6. Budget amendments and transfers between cost centers are initiated by the department (examples of cost centers in the general fund include general government, public safety, public works, health & human services, culture & recreation, and development). After approval by the Finance Director, the transfer recommendation is made to the Finance Committee, with final approval by the Board of Trustees. Any unbudgeted, emergency expenditure of funds in excess of $5,000 will require the approval of the Village President and Village Administrator, as well as notification of the chair of the affected committee and the chair of the Finance Committee, and the Village Board shall be notified that said actions were taken at their next meeting.
7. Department heads are authorized to move funds within a cost center of the budget in consultation with the Finance Director and/or Village Administrator to make more efficient use of the funds. Any moves must result in an end of year-net-zero-effect in the cost center's budget.
8. The Capital Improvement Plan Fund (CIP) is intended to help the Village plan for future expenditures by saving money for future expenditures. It is challenging to plan for every contingency that may arise. From time to time, what may have been anticipated as a future need in order to address an anticipated issue may no longer be a suitable solution to the issue. In such cases, the Board authorizes the Finance Committee to make recommendations on repurposing of those funds into suitable CIP categories. The Village Board will review those recommendations and approve as it deems appropriate based on the overall needs of the Village. The intent is to use CIP money for the benefit of the Village through public expenditures on Capital Items.
9. All unspent CIP funds will remain allocated and appropriated for those items which were originally allocated, or reallocated through subsequent amendments, for all future budget years until such time that those funds are expended or repurposed.
10. All unspent funds in any budget section will revert to the unassigned fund balance unless such funds are assigned or committed by the Board.
11. Village oversight committees are subject to review by the Village Board. They exist to monitor operations and to recommend policy changes to the Village Board. Policy recommendations on rates, charges, or credits are subject to review and approval by the Village Board.
12. The Village Board has authorized funds to be spent in recognition of employees' hard work and extraordinary efforts. The Village Board authorizes recognition funds to be spent in an equitable manner whether through direct pay to employees or at a recognition event for all employees.

13. The Village Board will budget for annual step increases for employees as referenced in the Village of Sister Bay's Employee Handbook. Upon a successful performance evaluation employees will be eligible to advance to the next step of the approved compensation schedule. For budget deliberation purposes village staff will present a draft budget calculating every employee receiving an annual step increase. Consideration for a step increase will be based on length of employment, date of hire, or an employee under a separate employment agreement.
14. In lieu of a step increase for employees, Village staff will also provide for budget deliberations purposes, a Cost-of-Living Adjustment (COLA) wage increase for full-time and or year-round employees. The COLA applied will be the Consumer Price Index for all urban consumers (CPI-U) as certified by the Wisconsin Department of Revenue. The COLA estimate proposed in the budget will not be less than zero.
15. The Tax Increment Financing District (TID) can use monies from other funds to pay for a variety of projects. Based on activity within the TID, the Village Board expects that the TID will generate increment and revenues to pay back some, or all, of those borrowed funds. Toward that end, the Village Board authorizes the Finance Director, upon review by auditors, to make a transfer of cash near the end of each calendar year to pay borrowings in the following order:
    a. Repayment of the advance from the Capital Projects Fund to the TIF
    b. Repayment of the project costs funded by the Capital Projects Fund
    c. Repayment of the project costs funded by the General Fund
    d. Repayment of the project costs funded by the Utility Fund
    e. Repayment of the project costs financed by debt
    f. Repayment of the project costs funded by the Marina
16. The transfer is authorized if the TID will retain a positive fund balance and positive cash balance. The repaid cash balances will be allocated by the Finance Committee or reverted to the unassigned fund balance of the applicable fund.

Audit: This policy will be reviewed by the Finance Committee every three years following adoption, or sooner, at the discretion of the Village Board.