



REPORT TO VILLAGE BOARD

ITEM NAME:	FIN-004 Policy Review
MEETING DATE:	July 28, 2025
PRESENTING COMMITTEE:	APC
COMMITTEE CONTACT:	David Baker
STAFF CONTACT:	John Jacobs
PREPARED BY:	David Baker

ISSUE: 2024 and 2025 budgeted expenditures were much higher than budgeted revenues due to the approximately \$600,000 per year double counting of revenue announced in April 2025. This double counting of revenue occurred because the same revenue was included both in the general fund and the TID Funds.

The 2026 budgeted expenditures will need to be reduced substantially from 2024/2025 **budgeted** expenditures (but not necessarily from 2024/2025 **actual** expenditures) in order to prevent a large increase in the 2026 property tax.

Reducing the budgeted expenditures to a level close to the expected expenditures will undoubtedly lead to a large number of line item accounts for which the actual expenditures will exceed budgeted expenditures due to the normal year to year variations in expenses. If a budget amendment, public notice, and Village Board approval is required every time that actual expenses approach budgeted expenses for individual line item accounts with the proposed tighter budget, Village operations will be unnecessarily cumbersome and time consuming.

Wisconsin State Statute 65.90 does not require a budget amendment for actual expenses exceeding budgeted expenses at the line item level.

OBJECTIVES: Revise the FIN-004 Purchasing policy to accommodate a “tighter” budget without causing unnecessarily cumbersome and time consuming budget amendments for individual line item accounts while still maintaining a high level of transparency and accountability.

ISSUE BACKGROUND/PREVIOUS ACTIONS: The attached article from the League of Wisconsin Municipalities notes that “The law on changing an adopted budget is important because it is a key consideration in deciding how detailed the budget should be. A two-thirds vote of the entire governing body is required to change an adopted budget ...”

The attached document “Municipal Budget Policy Comparison” shows the “legal level of budgetary control, that is, the level at which management cannot overspend funds without a budget amendment” for several Wisconsin municipalities.

The legal level of budgetary control is typically at the cost center, fund, or function level. Appropriations are typically still shown at the line item level for budget development and for financial reporting. Some municipalities require a level of approval short of a formal budget amendment for overspending at the line item level.

PROPOSAL: The proposal is to modify the FIN-004 Purchasing Policy to provide legal budgetary control at the cost center level rather than at the line item account level. Line item account expenditures would still be shown in budget preparation documents and in monthly financial reporting to continue to provide full transparency.

The budgeted expenditures by cost center would be shown in the budget message and in the budget resolution for clarity. The staff position responsible for the cost center control would be indicated in both the budget message and the budget resolution.

Preliminary proposed changes are shown on the marked up FIN-004 Policy document and in the paragraphs directly following:

Proposed Text to replace **“EXCEEDING BUDGETED EXPENDITURE LINE ITEM TOTAL”** Section

Option A:

Legal Budgetary Control

The budget as adopted includes total budgeted expenditures at the cost center level. A cost center can be a fund, major program, department, or other activity for which control of expenditure is considered desirable. The budget will indicate the staff position responsible for the budget control of each cost center.

Expenditures cannot legally exceed appropriations at the cost center level without public notice and approval by two thirds of the Village Board.

Line item appropriations will be included in the budget development process and in monthly financial reporting to the Village Board.

Annual expenditures that exceed a line item appropriation by \$2500.00 or less may be approved by the individual responsible for the cost center control. Annual expenditures that exceed a line item appropriation by more than \$2500.00 but less than \$5000.00 may be approved by the Village Administrator.

Annual expenditures that exceed that exceed a line item appropriation by more than \$5000.00 may be approved by a simple majority vote of the Village Board without the public notice required for a budget amendment.

Option B:

Legal Budgetary Control

The budget as adopted includes total budgeted expenditures at the cost center level. A cost center can be a fund, major program, department, or other activity for which control of expenditure is considered desirable. The budget will indicate the staff position responsible for the budget control of each cost center.

Expenditures cannot legally exceed appropriations at the cost center level without public notice and approval by two thirds of the Village Board.

Line item appropriations will be included in the budget development process and in monthly financial reporting to the Village Board.

Option C:

Legal Budgetary Control

The budget as adopted includes total budgeted expenditures at the cost center level. A cost center can be a fund, major program, department, or other activity for which control of expenditure is considered desirable. The budget will indicate the staff position responsible for the budget control of each cost center.

Expenditures cannot legally exceed appropriations at the cost center level without public notice and approval by two thirds of the Village Board.

Line item appropriations will be included in the budget development process and in monthly financial reporting to the Village Board.

Annual expenditures that exceed a line item appropriation by less than 10% of the total cost center budgeted expenditures may be approved by the individual responsible for the cost center control.

Annual expenditures that exceed a line item appropriation by more than 10% of the total cost center budgeted expenditures may be approved by a simple majority vote of the Village Board without the public notice required for a budget amendment.

ADVANTAGES:

DISADVANTAGES:

ITEMIZE ALL ANTICIPATED COSTS (Direct or Indirect, Start-Up/One-Time, Capital, Ongoing & Annual, Debt Service, etc.)

RECOMMENDED ACTION: Review the proposed changes and potentially move to modify the FIN-004 Policy.

OTHER OPTIONS CONSIDERED:

TIMING REQUIREMENTS/CONSTRAINTS:

FUNDING SOURCE(s) – Must include Account Number/Description/Budgeted Amt CFY/% Used CFY/\$

Remaining CFY

Account Number:

Description:

Budgeted Amount:

Spent to Date:

Percentage Used:

Remaining:

ATTACHMENTS (describe briefly): FIN-004 Policy, Marked up proposed FIN-004 Policy, Snip from LWM article, Full LWM article, "Municipal Budget Policy Comparison", WI Statute 65.90