

CITY OF APPLETON FINANCE POLICY	TITLE: Budget	
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I. Purpose

The purpose of this policy is to provide guidance in the preparation, monitoring, and amendment of the operating and capital budgets of the City of Appleton.

II. Policy

A. Roles & Responsibilities

The Mayor, in conjunction with the Department Directors of the City, shall present an Executive Budget and Service Plan proposal to Council for its review, deliberation, amendment, and adoption. The Executive Budget shall include proposals for all operating and capital funds. Following Council approval, the Adopted Budget and Service Plan shall become the official budget for the following year.

B. Fiscal Year

The Executive Budget and Service Plan for the City follows a calendar year. Each year the budget shall be presented to the Appleton Common Council no later than the first Wednesday in October. Budget deliberation and adoption shall take place no later than the second Wednesday in November, as prescribed by State statute.

C. Budget Form

The City of Appleton's operating and capital budget shall be developed on an annual basis and shall be presented in a program budget format that includes program missions, objectives and performance measurements. The purpose of this format is to clearly outline the major service areas and their associated expenditures. A line item detail by program and summarized by major category of expenditure for the department as a whole shall also be presented for informational purposes. All non-personnel line items that exceed \$10,000 are further delineated.

The budget shall also include a transmittal letter from the Mayor summarizing the major issues in the budget; a summary of personnel changes; a summary of overall staffing levels; a listing of all property tax rates; and a budget resolution stating the total amounts of taxes levied for various purposes, the total amount of general obligation borrowing, and the total amount of revenue bond debt.

The budget shall include a rolling five year Capital Improvement Plan (CIP) of which the first year's expenditures shall be appropriated, with years two through five

included for planning purposes. Though expenditures for the first year of the CIP are appropriated, the City's Procurement Policy requires that any new contracts or agreements for services or equipment with an anticipated contract cost of \$15,000 or more be approved by the committee of jurisdiction and the Common Council prior to execution. Revisions and additions to, and deletions from, the CIP shall be made each year during budget development.

D. Performance Measures

Where possible, the City shall integrate performance measurements in the City's budget document. Measurements will include measures of client benefits, strategic outcomes, and productivity. The presentation of the measures will cover the same time period as that for which operating expenditures are presented; typically two year's actual results of operations, the current year target, the projected value for the current year, and the target for the next year.

E. Balanced Budget

Total anticipated revenues shall equal or exceed total budgeted expenditures for each fund unless the draw down of an individual fund's balance is in compliance with the fund balance policy for that fund. Revenues may include but are not limited to property taxes, license and permit fees, fees for services, fines and forfeitures, transfers from other funds, donations and grants. If sufficient funds are not available (such as in a Tax Increment district), a plan for funding the shortfall shall be presented.

F. Budget Control

The City shall maintain a budgetary control system to ensure adherence to the budget. Budget control is maintained

- 1) at the overall fund level for all funds,
- 2) at the business unit (program) level for all business units and
- 3) at the level of total personnel expense and total other operating expense within each program for operating budgets and at the project level for capital budgets.

Quarterly reports to the Council shall address departmental outcomes and include two prior years of actual data, targets for the current year, and projected year-end measures. The reports shall also include a summary comparison of actual expenditures to budget by program and address any significant variances.

G. Contingency Account

A contingency account shall be maintained in the annual General Fund operating budget to provide for unanticipated expenditures of a nonrecurring nature or to meet unexpected increases in service delivery costs. A minimum of 0.5% and a maximum of 1.0% of the total fund budget shall be included in the adopted budget. If a sufficient unexpended balance remains in the current year's contingency account, this requirement may be met by a plan to carry over the balance.

H. Budget Amendment

1. Transfers and new appropriations – All budgets except the Appleton Public Library operating budget

- a) The following budget amendments require written approval by the Mayor and Finance Director and shall be reported to the Finance Committee as informational items:

New appropriations funded by grants, user fees, or other non-tax revenues of \$15,000 or less;

Transfers of \$15,000 or less between programs within a department;

Transfers of \$15,000 or less between departments within a fund.

Authority granted under this section specifically excludes amendments to use money budgeted for personnel for any other purpose.

- b) The following budget amendments shall be reported to the Finance Committee as action items and must be approved by two thirds of the Common Council:

New appropriations in excess of \$15,000 funded by grants, user fees, or other non-tax revenues;

Any new appropriations funded by taxes or debt;

Transfers in excess of \$15,000 between programs within a department;

Transfers in excess of \$15,000 between departments within a fund;

All transfers between funds;

Transfers from the Reserve for Contingencies;

The use of money budgeted for capital projects for anything other than its designation in the budget document;

The use of excess budgeted personnel dollars due to vacancies to increase the supplies and services budget to fund temporary employment service assistance. Any other use of excess budgeted personnel dollars to increase the supplies and services budget for other purposes may be permitted in rare instances but is highly discouraged.

2. Transfers and new appropriations –Appleton Public Library operating budget

- a) Transfers of \$15,000 or less between budget lines and/or between budget programs require written approval by the Library Director or designee and shall be reported to the Library Board as informational items.
- b) Transfers over \$15,000 between budget programs and all new library appropriations funded by grants, user fees or other non-tax revenues require the approval of the Library Board Finance Committee and two-thirds of the full Library Board.

- c) All budget changes will be reported to the Council Finance Committee as informational items.
- d) The Board's authority over budget funds shall lapse at the end of the calendar year and any budget fund balances shall revert to City authority, subject to City carryover policies and procedures.

3. Carryover of prior year budgeted expenditures – All budgets

The City of Appleton may consider the reappropriation of unspent budgeted funds for lapsing budgets each year. Reappropriated funds may be used for prior year contracts, obligations, and uncompleted projects that are to be completed and/or paid in the following year or for any other expenditure allowed by council.

Carryover requests shall be no less than \$3,000, except for items allowed by the Finance Director that relate to year end cut off procedures.

Carryover requests, plus actual prior year expenditures, shall not exceed the department's (or fund's) prior year amended budget less any overall shortfall in program revenues.

Reappropriation of unspent prior year authorizations for purposes other than their original designations shall be considered as Special Consideration items and require approval by two thirds of the Common Council. All other reappropriations shall require approval by a simple majority vote.

Reappropriation of unspent funds of non-lapsing budgets and those items under contract or purchase order prior to year-end shall be reported as informational items and require no approval.

III. Discussion

Operating budget policies help citizens, staff, and elected officials understand how the budget is formulated and adopted. They also clarify the roles and responsibilities of staff, management, and elected officials and streamline the processes of budget formulation, adoption, and management by codifying the rules under which the City operates.

Budget adjustments are generally required whenever expenditure authority needs to be redirected to a different purpose, increased, decreased, or shifted to a subsequent year. Receipts of unplanned revenues (grants, donations, insurance proceeds, reimbursements, etc.) that do not result in a need for additional expenditure authority do not require a budget adjustment.

IV. Definitions

- A. Balanced Budget** - A balanced budget is one in which total anticipated revenues equal or exceed total budgeted expenditures for each fund. Budgets may also be balanced by use of unallocated reserves available if fund balance policies permit.

- B. Budget process** - The budget process consists of activities that encompass the development, implementation, communication and evaluation of a plan for the provision of services and capital assets that allows for public input.
- C. Basis of accounting/basis of budget** - The basis of budget or of accounting refers to the timing of revenue and expenditure recognition. With few exceptions, the budget is prepared on the same basis as the City's annual financial statements, which is the modified accrual basis for all governmental funds and the accrual basis for proprietary funds. Under the modified accrual basis, revenues are recognized when they become measurable and available and expenditures generally when the related liability is incurred. Under the accrual basis, revenues are recognized when they occur, regardless of the timing of related cash flows. One significant difference between the basis of accounting and the basis of budget is in the treatment of capital expenditures in the proprietary funds, which are included in operating expenditures for budget purposes.
- D. Operating Budget** - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.
- E. Capital Budget** - A plan for acquisition or construction of assets embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.
- F. Performance measurement/performance objectives** – Various criteria for evaluating the outcomes of various programs, often non-financial measures. General categories include outcomes from the perspective of the direct recipient of the service (client benefits), outcomes from the broader perspective of the City (strategic outcomes), and volume measures or outputs (work process outputs) and efficiency measures (cost per unit).
- G. Lapsing/non-lapsing Budget** - A Lapsing budget is one for which spending authority terminates at year-end. All operating and capital budgets are considered lapsing with the exception of grant Special Revenue funds that are legally restricted for certain purposes (such as Housing and Community Development Grants).

V. PROCEDURES

A. Budget Development

1. The Finance Department will prepare and distribute to all departments forms, payroll projections, and other budget information according to a schedule established each year by the Mayor. Deviations from payroll projections must be approved by the Finance Director or designee. Other budget information to be distributed includes items such as utility rates, gasoline and diesel prices, telephone rates, parking rates, and computer equipment costs. This information will typically be distributed in early May.
2. Budget requests will be submitted to the Finance Department by Department Directors for analysis and compilation. Budget requests will typically be required in June or early July and will include a budget for continuing operations of existing programs at existing service levels, requests for Program Additions/Deletions, capital project requests, justification for any increases in excess of a given threshold, and any program analyses that may be required by the Mayor. Budget requests for continuing operations and

capital projects will be entered into the accounting system and into the budget forms by each individual department.

3. A member of the Finance Department's senior management staff will perform an in-depth review of each requested budget, pose questions to the department director, and update the requested budget for any changes resulting from the review. The Finance Director will perform a second review after all agreed upon changes have been made. The Mayor's decisions regarding capital projects, program additions/ deletions, etc., along with any further changes resulting from the Finance Director's review will be incorporated into each department's budget and the resulting Executive Budget and Service Plan will be presented to the Appleton Common Council on or before the first Wednesday in October, as required by the Appleton Municipal Code.
4. Shortly after distribution of the Executive Budget to Council, an electronic version will be posted on the Internet. An abbreviated summary will also be made available for distribution, both in print and on the Internet.
5. Committees of jurisdiction will review applicable budgets, typically at the second committee meeting in October. Alderpersons may also meet with the Director of Finance or designee to receive guidance on review of the document and ask questions. These meetings are not meant to debate issues but provide clarification.
6. The Finance committee will meet to review the entire Executive Budget, typically in an all-day session on a Saturday in late October. All Alderpersons are encouraged to attend and to take this opportunity to offer comments and obtain answers to their questions regarding the proposed Budget and Service Plan. Because this review meeting is a Finance Committee meeting, only Finance Committee members may offer amendments to budgets and vote.
7. Prior to review and approval of the budget by the entire Common Council, a public hearing on the budget will be held. Notice of this hearing will be published in the local newspaper of record at least 15 days prior to the hearing and will include a summary of the budget and the date, time, and place of the public hearing, as prescribed by State statute.
8. Prior to review and approval of the budget by the entire Common Council, any amendments that any Alderperson wishes to propose must be communicated to the Finance Director. These proposed amendments will constitute the discussion agenda for the budget adoption meeting.
9. The Common Council will meet prior to November 14th (deadline as prescribed by State statute) to deliberate, amend, and adopt the budget for the subsequent year. Budget adoption is normally by simple majority vote of the Council. If for any reason the proposed budget does not comply with the requirements of section 18-27 (c) of the Appleton Municipal Code (the "Tax Levy Ordinance"), a three quarters (3/4) majority vote of Council shall be required for adoption.

10. Final, adopted budget documents will be available by the second Council meeting in December and will be published on the Internet, along with an abbreviated summary, prior to December 31st.

B. Budget Amendment – All budgets except Appleton Public Library operating budget

1. Budget change requests will be presented to the Finance Director (see the Budget Amendment Request form, Appendix A), identifying the accounts to be changed, detailing the justification for the change, and signed by the department director requesting the change.
2. The criteria noted in II. H. 1, above will determine the required approval procedure.
3. Following approval by the Council, the change will be recorded in the accounting system and a public notice will be published in the local newspaper of record.

C. Budget Amendment –Appleton Public Library

1. All changes to the Library operating budget, as noted under II. H. 2 above, will be presented to the Finance Director by the Library Director or his/her designee for communication to the Finance Committee and Appleton Common Council. Notice from the Library Director will include the accounts to be changed, the reason for the change, and the Library Board's report showing it's approval of the change.
2. The change will be recorded in the accounting system and a public notice will be published in the local newspaper of record.

D. Budget Carryover – All budgets

1. Budget carryover requests shall be forwarded to the Finance Director, identifying the accounts to be changed, detailing the justification for the change, and signed by the department director requesting the carryover.
2. The carryover request will be presented to the Finance Committee on or before its second meeting in March. The request will distinguish between those carryover requests for items under contract or on order, those for expenditures that were budgeted for the prior year but for which the City is not yet legally obligated, and special consideration items (II. H. 3, above).
3. Following approval by the Council, the additional appropriations will be recorded in the accounting system and a public notice of the change will be published in the local newspaper of record.

APPENDIX A

**CITY OF APPLETON
BUDGET AMENDMENT REQUEST
Budget Year _____**

<u>Budget Description</u>	<u>Business Unit</u>	<u>Acct. No.</u>	<u>Sub Acct No.</u>	<u>Subledger No.</u>	<u>Transfer Amount</u>
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

For the purpose of:

Requested by:

Department Head

Date

Budget Entry (BE) No.: _____

Approved by:

Lisa A. Maertz, Finance Director

Date

Timothy M. Hanna, Mayor

Date

Reported to Finance Committee:

Date

Additional comments:

BUDGET AMENDMENT POLICY, revised _____:

The following items require approval of the Mayor and the Finance Director and will be reported to the Finance Committee as information items:

- Transfers of \$15,000 or less between programs within a department or between departments within a fund ;
- New appropriations of \$15,000 or less funded by grants, user fees, or other non-tax revenues.

The following items will be reported to the Finance Committee as action items and require approval by two-thirds of the Common Council:

- Transfers in excess of \$15,000 between programs within a department or departments within a fund;
- New appropriations in excess of \$15,000 funded by grants, user fees, or other non-tax revenues;
- Any transfers between funds;
- Any new appropriations funded by debt or current year tax levy;
- Any carryover of unexpended budgets from a prior period;
- Any transfers from the reserve for contingencies;
- Use of funds budgeted for a particular capital project for any other purpose.
- Use of budgeted personnel dollars to increase the supplies and services budget.

For the Appleton Public Library operating budget, transfers of \$15,000 or less between budget lines and / or between budget programs require written approval by the Librarian. Transfers in excess of \$15,000 and all new library appropriations funded by grants user fees or other non-tax revenues require the approval of the Library Board Finance Committee and two-thirds of the full Library Board. All Library budget changes will be reported the the Council Finance Committee as Informational Items.

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