

# Budgeting 101

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# Agenda

- Budget terms
- Putting the budget document together
- Suggested tips

# What is the Purpose of a Budget?

- A budget provides for a financial **plan** for the ensuing year. It should give the limits of spending in each area or budget line, sets the levy and provides approved expenses (ie, squad purchase, snow plowing, etc.).
- Statute for budgets Wisconsin Stats Chapter 65, for City/Village and Chapter 60, for Towns Municipal Budget Systems.

# Budget Terms

- Tax Levy = Is a levy on property that the owner is required to pay.
- Assessed Value = The dollar value assigned to a property for purposes of measuring applicable taxes. Assessed valuation is used to determine the value of a residence for tax purposes and takes comparable home sales and inspections into consideration. It is the price placed on a home by the corresponding government municipality to calculate property taxes. In general, this value tends to be lower than the appraisal fair market value of a property.

# Budget Terms cont.

- Equalized Value = Assessed values after they have been equalized.
- Tax Rate or Mill Rate = The amount of tax payable per dollar of the assessed value of a property. The mill rate is based on "mills"; as each mill is one-thousandth of a currency unit, one mill is equivalent to one-tenth of a cent or \$0.001.

# Calculating the Mill Rate

- Assessed value of \$74,831,350
- Tax Levy of \$184,271
- Tax Rate = Tax Levy / Assessed Value
- $184,271 / 74,831,350 = .0024625$  Then times 1,000 = 2.4625
- So on a \$100,000 they would pay \$246.25
  
- County and School Districts use Equalized Value instead of Assessed Value

# Calculating the Tax Levy

- Expenses less Revenues = Tax Levy
- Budgeted expenses and revenues are best estimates available!

# What is a Revenue?

- A source of money or funding to help offset the expenses within the budget – **not necessarily part of the tax levy.**
- (WI State Statute 65.90 identified the categories used for your budget and budget publication requirements.)



# Revenue Categories

2. For the general fund, all revenues from the following sources:
  - a. Taxes.
  - b. Special assessments.
  - c. Intergovernmental revenues.
  - d. Licenses and permits.
  - e. Fines, forfeitures and penalties.
  - f. Public charges for services.
  - g. Intergovernmental charges.
  - h. Miscellaneous revenue.
  - i. Other financing sources.

# What is an Expense?

- Expenses are those identified costs for operations, capital projects, debt, or other uses recognized and approved by the governing body.

# Expenditure Categories

1. For the general fund, all expenditures in the following categories:
  - a. General government.
  - b. Public safety.
  - c. Public works.
  - d. Health and human services.
  - e. Culture, recreation and education.
  - f. Conservation and development.
  - g. Capital outlay.
  - h. Debt service.
  - i. Other financing uses.

# Putting the Budget Document Together

- Budget calendar – Do beginning of the year
- Provide department heads (Board) with as much information as possible;
  - Prior year budget
  - Prior year actual (up to three years actual amounts would be better)
  - What they have spent as of June of the current year (or later if available)
  - Current year budget
  - Salary info, estimates, etc.
- Provide a historical record of revenues and expenditures so that the Board and staff can develop or forecast possible increases or decreases in a particular budget line
- Department Heads compile their budget
  - They should also complete current year estimates

# Putting the Budget Document Together, Cont.

- Find a good way to reduce costs if needed not by across the board cuts – This requires forward thinking, plan ahead!
- Compile the budget into one document that is easy to read and understand
- The budget is the PLAN for the year, so be certain there is enough information in the budget document to explain larger purchases
- Accurately reflect the amount to be levied, use of surplus funds, or identify carryover of funds
- Administrator or Chair/President reviews budget
- Board/Council formal review and adoption

# Suggested Tips

- Know and understand the Levy Limits
- Get to know your municipality's budget – line by line  
(If a large municipality, at least know and understand the department's budgets)
- Look at historical data for estimates for revenues and expenditures
- Use your resources (other WGFOA members)



# Wrap UP:

- Questions?
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