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admin@fredoniawi.gov
Clerk: Michelle T. Johnson
clerk@fredoniawi.gov
Treasurer: Melissa Depies
treasurer@fredoniawi.gov

AGENDA
Finance Committee Meeting
Monday, February 26th, 2024 at 6:00 PM
Fredonia Government Center - Board Room
242 Fredonia Avenue, Fredonia, Wisconsin

**THE FOLLOWING BUSINESS WILL BE BEFORE THE FINANCE COMMITTEE
FOR INITIATION, DISCUSSION, CONSIDERATION, DELIBERATION
AND POSSIBLE FORMAL ACTION**

1. Call to order.
2. Pledge of Allegiance / Roll Call
3. Consent Agenda:
 - a) Approve Minutes of Thursday, September 28th, 2023 Finance Committee Meeting
4. Public Comments
Please note public comments are limited to five minutes per person
5. Presentations
 - a) Presentation of Ehler's Investment Advisory Services
6. Items for Discussion and/or Action:
 - a) Motion to Recommend Approval to the Village Board the Investment of TID Debt Proceeds by Ehlers.
 - b) Motion to Recommend Approval to the Village Board the Updated Village Financial and Purchasing Policy
 - c) Discussion and Possible Recommendation to the Village Board on Medical Leave Bank Options.
7. Correspondence
8. Items for future consideration by Finance Committee.
9. Adjournment

NOTICE IS HEREBY GIVEN that a majority of the Fredonia Village Board may attend this meeting in order to gather information about a subject over which they have decision-making responsibility.

UPON REASONABLE NOTICE, efforts will be made to accommodate the needs of disabled individuals through appropriate aids and services. For additional information or to request this service, contact the village clerk at 692-9125.

Michelle Johnson is inviting you to a scheduled Zoom meeting.

Topic: Finance Committee

Time: Feb 26, 2024 06:00 PM Central Time (US and Canada)

Join Zoom Meeting

<https://us02web.zoom.us/j/83825886993>

Meeting ID: 838 2588 6993

One tap mobile

+13126266799,,83825886993# US (Chicago)

+16469313860,,83825886993# US

**VILLAGE OF FREDONIA
FINANCE COMMITTEE MEETING MINUTES
SEPTEMBER 28, 2023**

The Finance Committee meeting was called to order at 6:01 p.m. by Chair Haas.

Committee members present: Josh Haas, Rick Abegglen, and Tiffany Bartz.

Staff/Officials present: Village President Dan Gehrke, Village Administrator Christophe Jenkins, Village Treasurer Melissa Depies, Director of Public Works Eric Paulus, Fire Chief Brian Weyker, Marshal Mike Davel, and Sergeant Eric Leet

Approve Minutes

Motion by Trustee Abegglen, seconded by Trustee Bartz, to approve the July 27, 2023 Finance Committee meeting minutes. Motion carried unanimously.

Public Comments

None

Presentation of the Draft 2024 Annual Budget

Administrator Jenkins presented the 2024 Annual Budget, thanking Village Staff for all the hard work in developing said budget.

Administrator Jenkins stated:

- This is a balanced budget in all funds within the Village.
- The Mill Rate is determined by dividing the levy by the assessed value. With this budget the Mill Rate will go down by \$0.29.
- Personal Property tax will be eliminated due to Act 12, that amount will be captured in the manufacturing value.
- He highlighted all income and expenses for all funds.

Chief Weyker requested that funding for Food/Drink and Donations be included. He stated that the Food/Drink line item is to provide a meal for the volunteers once a month after a training and monthly meeting. The Donations line is for the annual recognition banquet. The Association pays the bar bill and the Village pays for the meal. These are small tokens of appreciation to our volunteers for their service.

Director of Public Works Paulus stated that the lab is now up and running; certified in water and wastewater testing. This will eliminate our contract with AgSource, which was approximately \$15,000 annually. The Village currently has contracts to test water for Gibbssville and Onion River that will bring in approximately \$3,500 per quarter. Director Paulus is also talking with other municipalities to see if there is additional interest.

Administrator Jenkins stated that the proposed wage increase for staff is a 3% cost of living and up to an additional 3% merit for a total overall maximum increase of 6%, with the DPW staff receiving the cost of living in January and the merit on July 1.

Trustee Abegglen stated that the Village cannot afford this type of increase. Trustees Bartz and Haas agreed. The Village needs to be cautiously optimistic and needs to relook at the proposed wage increases.

Trustee Bartz questioned why only \$90,000 for lot sales in the TID. Administrator Jenkins stated that this is for the remainder vacant lots. The Village has already received the funds for the lots already sold.

Trustee Bartz noted that improvements to Highland Drive was budgeted; questioning what happened to improvements to Martin Drive. Administrator Jenkins stated that the Village has applied for grant funding for the improvements on Martin Drive. If a grant is received then the Village will need to switch to Martin Drive as a first priority and not Highland Drive. The Village cannot fully fund both projects in 2024.

Items for Discussion and/or Action: Motion to Recommend Approval to the Village Board of the Draft 2024 Annual Budget

Trustee Abegglen stated that the Village has been asking more of our crews and has eliminated some of the contracted services; however, he still cannot support a 6% wage increase.

Trustee Bartz stated that the average for the county and the private sector is 3.5%. She also questioned the large increases received in 2023. Administrator Jenkins stated that the increases in 2023 was due to a market rate adjustment nothing else.

Trustee Bartz suggested a 2.5% cost of living increase and up to a 2.5% percent merit for a total maximum of 5%.

Administrator Jenkins stated he came up with the proposed increase based on Federal Government increase of 5.2% and State at 6%.

Trustee Haas stated that he could support 2.5% cost of living increase +merit with a maximum of 5%. He also stated that he likes having the increases based on merit rather than a flat increase.

Trustee Bartz suggested to give the cost of living increase as of January 1 and the merit increase effective July 1.

Trustee Bartz commented that the Village approved the simplified rate increase of 8% for water and now a recommendation for a 3% increase in the sewer. She stated that the Village should to be cautious about increases at this time of inflation. Trustee Haas suggested that we remove the 3% sewer increase this year and readdress this increase next year. All Committee members agreed.

Director Paulus stated that the DNR mandates for Phosphorus; the Village's variance and permit expires in 2026. Depending on the Phosphorus mandates a plant upgrade may be needed. A plant upgrade could cost as much as \$4.5 million.

Trustee Haas noted that the wage for the Fire Chief increased significantly. He noted that he was good with it he just wanted to make sure everyone was aware of it. Trustee Abegglen stated that it is justified as he is doing more due to the paramedic program. Trustee Haas stated that Chief Weyker has been a huge advocate for the Northern Ozaukee County paramedic program.

Administrator Jenkins stated that he will implement the changes discussed and will have a presentation ready for October 5 Village Board meeting with adoption in early November.

Summary of Changes:

- Reducing the Merit-based Increase from a 6% maximum to a 5% maximum
- Removing 3% Increase to Sewer Rates
- Adding back in Funding for Fire "Food/Drink" and "Donation" line items

Motion by Trustee Abegglen, seconded by Trustee Bartz, to recommend the Village Board approve the draft 2024 Annual Budget as amended. Motion carried unanimously.

Correspondence

None

Items for Future Consideration

None

Adjourn

Motion by Trustee Bartz, seconded by Trustee Abegglen, to adjourn the meeting at 7:31 p.m. Motion carried.



Investment Advisory Services:

Fredonia, WI

Pioneers in Public Finance: *It's Who We Are.*

80+ Advisors, Analysts,
Consultants & Service
Professionals – all
dedicated to helping our
clients' visions become
reality

100% employee-owned
via ESOP by ALL staff
with 1+ year of service

Over 65 years in business
with fully-staffed offices
in Roseville, Minnesota &
Waukesha, Wisconsin

An independent fiduciary
bound to always place
your best interests above
our own

Your Team: Investment Advisory & Client Service



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Investments President
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Our Approach: *It's How We Work.*

Fiercely Independent. Fully Integrated.



Working as one team for your benefit...

Why Ehlers Investments?

PUBLIC SECTOR FOCUS

- Investment solutions tailored to needs of governmental investors
- Unique insight into best practices – general assets and bond proceeds

FIERCELY INDEPENDENT

- Fiduciary duty to our clients
- Seek out what's best for you

FEE ONLY PRICING

- Transparent AUM fee structure – no commissions or transactional fees
- Hourly or flat-rate fees for other services

FULLY INTEGRATED SERVICES

- Team of collaborative experts to navigate all facets of public finance
- Support your finance team with experts in multiple areas

Delivering Client Value

Time savings for
highest & best use
of staff time

General assets &
bond proceeds
investing +
arbitrage

Easy to use
reporting tools &
generation

Best price
execution on all
transactions

Fiduciary
relationship

Cash flow
forecasting,
banking & treasury
management
consulting

Robust Reporting & Analysis



City Consolidated

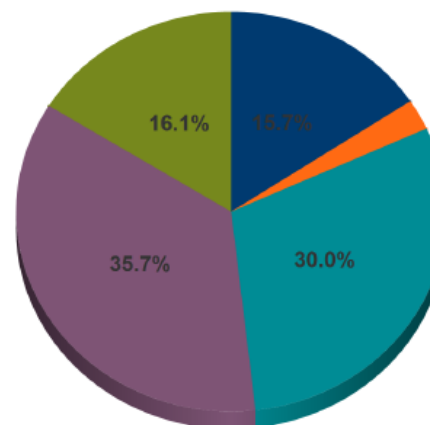
Portfolio Overview - Settled Trades

US Dollar
12/31/2023

Weighted Averages

Average Yield	3.33
Average Maturity	1.45
Average Coupon	1.64
Average Duration	2.55
Average Moody	Aa1
Average S&P	AA+
Average Fitch	Not Rated

Fixed Income Allocation



Fixed Income Totals

Par Value	4,310,000
Market Value	4,178,159.32
Total Cost	4,297,564.58
Net UR Gain/Loss	-119,405.26
Annual Income	70,380.15

Security Type	Market Value	% Fixed Income	% Assets
MUNICIPAL BONDS (USD)	654,954.40	15.7	15.6
GOVERNMENT BONDS (USD)	104,027.41	2.5	2.5
TREASURY BILLS (USD)	1,254,529.06	30.0	29.9
CERTIFICATES OF DEPOSIT (USD)	1,491,401.48	35.7	35.5
GOVERNMENT AGENCIES (USD)	673,246.97	16.1	16.0
Fixed Income Total	4,178,159.32	100.0	99.5

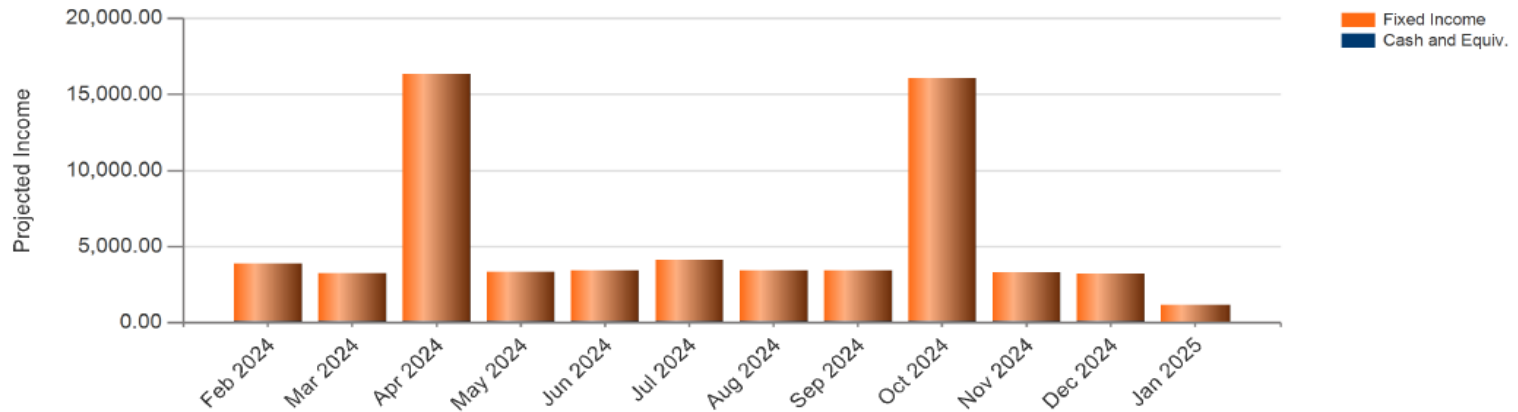
Robust Reporting & Analysis



City
Consolidated

Income Projection

US Dollar
2/1/2024 - 1/2/2025



	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	Jan 2025
Cash and Equiv.	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	0.00
CASH AND EQUIVALENTS (USD)	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55	0.00
Fixed Income	3,823.67	3,143.84	16,260.08	3,252.25	3,360.65	4,027.33	3,360.65	3,360.65	16,018.11	3,222.64	3,118.68	1,150.14
MUNICIPAL BONDS (USD)	0.00	0.00	6,822.20	0.00	0.00	0.00	0.00	0.00	6,822.20	0.00	0.00	0.00
GOVERNMENT BONDS (USD)	0.00	0.00	0.00	0.00	0.00	63.75	0.00	0.00	0.00	0.00	0.00	0.00
CERTIFICATES OF DEPOSIT (USD)	3,823.67	3,143.84	4,175.38	3,252.25	3,360.65	3,963.58	3,360.65	3,360.65	3,933.41	3,222.64	3,118.68	1,150.14
GOVERNMENT AGENCIES (USD)	0.00	0.00	5,262.50	0.00	0.00	0.00	0.00	0.00	5,262.50	0.00	0.00	0.00
Total	3,904.22	3,224.39	16,340.63	3,332.79	3,441.20	4,107.88	3,441.20	3,441.20	16,098.66	3,303.19	3,199.23	1,150.14
Grand Total	64,984.73											

Our Process: *Seamless Client Transition*



Investment Policy

Review & Update
Recommend Best Practices



Cash Forecast

Identify Core & Liquid Funds
Monthly Investment Cash
Forecast



Investment Plan

Establish Portfolio
Recommendations
Produce Predictable Income



Banking & Treasury Management

Analyze Current
Recommendations for Updates

Our Client Experience: *Investments Administration*

Money Movement

Access funds via ACH or wire

Disbursements to pre-approved vendors

Ease of Access

Withdrawals made via client portal

Direct contact with Ehlers Investments Team

Reporting Suite

Clients maintain access to reports

Reporting solutions tailored to governing bodies

Cash Flow & Balances: *Our Insight*

We See the Whole Picture



Review historical cash flow
Diagnose any large variances
Identify existing balances and restrictions



Understand financial profile
Revenue & expense drivers and risk factors
Targeted cash balances by fund type



Review all cash management options, including bank balances
Minimize opportunity cost of idle cash
Provide sufficient liquidity for operational and capital needs

Competitive Pricing and In-Depth Market Analysis

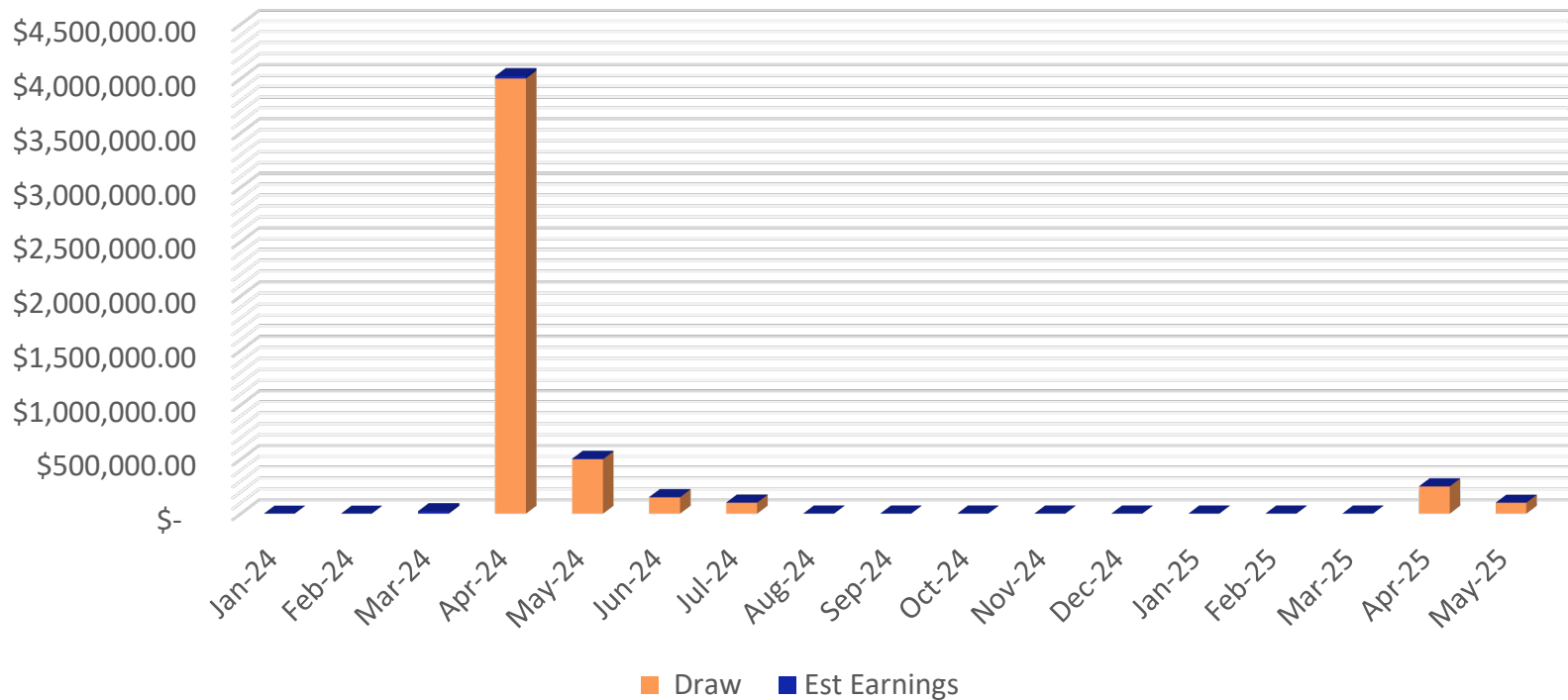
- Ehlers is your resource for investment guidance and expertise- an extension of your team
- Engagement with regional banks and credit unions in addition to our nationwide network of broker dealers to seek competitive pricing and yield for our clients- best price execution and broad array of investment options

Proposed Portfolio & Reporting Solution

- Comprehensive reporting solution for all investable funds with monthly cash flows and ease of reporting for month-end accounting entries. *Online access with customizable access rights by role or responsibility*
- Invest specific debt proceeds funds in state permissible investments following parameters established by Village policy
 - ✓ Invest \$3.5M TID funds in < 90 day treasury
 - ✓ \$1.25M set to mature April-July 2024
 - ✓ \$350,000 set to mature April-May 2025

Portfolio Projection: \$5.1M 2024A

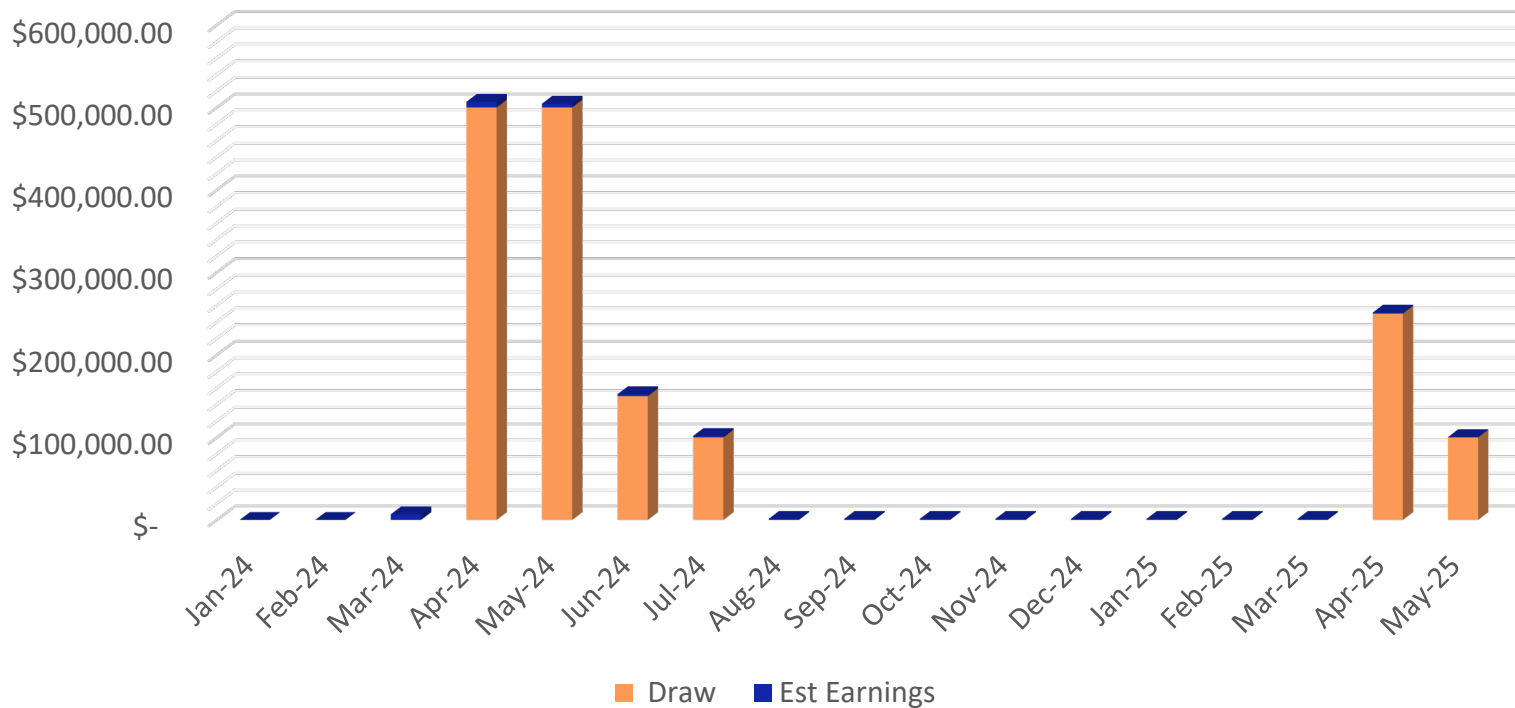
Income Estimate through 12/2025: \$65,375
Fee Estimate: \$2,600



Projected income based on currently available investment yields in SLGS demand deposits and treasury investments.-subject to change and availability- actual income dependent upon investment rates available at time of execution as well as actual maturity schedules. Income and fee projections could increase or decrease, depending on the pace of actual expenditures and reinvestments. Estimate assumes draws between 4/2024-6/2025.

Portfolio Projection: \$1.6M 2024A

Income Estimate through 12/2025: \$34,168
Fee Estimate: \$1,500



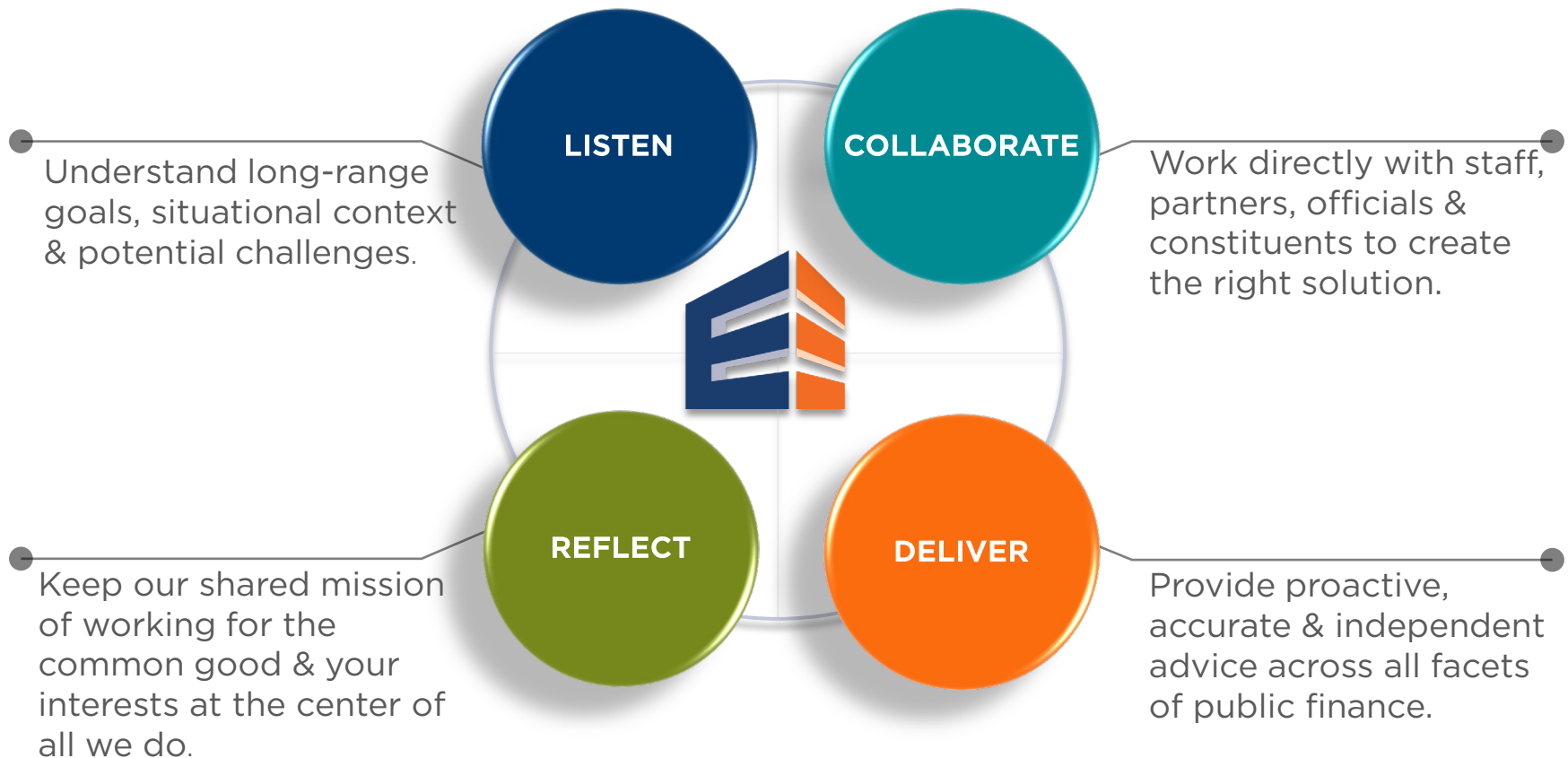
Projected income based on currently available investment yields in SLGS demand deposits and treasury investments.-subject to change and availability- actual income dependent upon investment rates available at time of execution as well as actual maturity schedules. Income and fee projections could increase or decrease, depending on the pace of actual expenditures and reinvestments. Estimate assumes draws between 4/2024-6/2025.

Ehlers' Investment Fees

- Transparent fees based on average monthly assets under management
 - ✓ Includes all finance committee or council meetings & travel expenses
 - ✓ Includes cash flow forecasting and strategy planning
 - ✓ All terms memorialized in Investment Advisory Agreement
 - ✓ Can establish flat fee structures for specific scopes of work
- We charge NO other investment management, check writing, ACH or wire fees. And No investment mark-ups

**Investment advisory fee:
Approximately . 20% annually**

Consider Ehlers: *We Are Client Value Defined.*





Village of Fredonia Purchasing Policy

The following policy is established for the purchase of goods and services on behalf of the Village of Fredonia. This policy shall take effect upon adoption by the Village Board.

- 1) **PURPOSE:** It is the purpose of this policy to:
 - a) Clarify the system of purchasing contractual services, material, and equipment for the Village;
 - b) Determine the levels of approval necessary before purchasing contractual and professional services (not including professional engineering), material, and equipment for the Village;
 - c) Provide public confidence in the procedures used in public purchasing;
 - d) Ensure fair treatment of all persons who deal with the Village procurement system;
 - e) Provide economy and value in Village purchasing activities;
 - f) Foster competition within the free enterprise system where possible and appropriate;
 - g) Promote a detailed operating and capital improvement budgeting process;
 - h) Provide safeguards for the assurance of a purchasing system of quality and integrity.

- 2) **PURCHASING AGENT:** The Village Administrator is hereby designated the Purchasing Agent, hereinafter named "Agent," for the Village. The Agent may delegate authority to any designee for the preparation of specifications, the obtaining of quotations as may be required, and the purchase of items as specified in this policy.
 - a) The terms of this policy are applicable to the purchase of all budgeted and non-budgeted goods and non-professional services.
 - b) All departments shall adhere to this purchasing policy.
 - c) The Agent is hereby granted the authority to make all budgeted purchases in accordance with the provisions of this policy for all items not specifically requiring Village Board approval. For items requiring Village Board approval, the Agent is authorized to solicit bids or quotes for Village Board approval.
 - d) Should the Agent not be available to provide an approval as required by this policy for a period of five or more business days, the Village President shall be authorized to provide necessary approvals. Any approvals made by the Village President shall be brought to the attention of the Agent upon his/her return.

PROCEDURES TO BE FOLLOWED WHENEVER PURCHASES ARE MADE.

(See Attachment A for a Summary)

3) **PURCHASING LEVELS:** Levels of purchasing authority shall be as follows:

Budgeted Purchases

- a) The authority to award or reject all bids, proposals, and/or quotes equal to or greater than \$25,000 shall remain with the Village Board.
- b) The authority to award or reject any and/or all bids, proposals, and/or quotes in the amount of \$24,999 or less for all budgeted purposes shall be granted to the Agent.
- c) The authority to award or reject any and/or all bids, proposals, and/or quotes in the amount of \$5,000 or less for all budgeted purposes may be delegated by the Agent to an appropriate Department Head or designee, but such purchases shall still be subject to approval by the Agent unless purchase is clearly detailed in the Village budget.

Non-Budgeted Purchases

- a) The authority to award or reject any and/or all bids, proposals, and/or quotes in the amount of \$1,000 or less for all non-budgeted purposes shall be granted to the Agent.
- b) Any clearly non-budgeted purchases with a value greater than \$1,000 shall be approved by the Village Board.

4) **PURCHASING PROCEDURES:** All budgeted purchases shall be made in accordance with the following procedures:

- a) Competitive Bids shall be required for all purchases in cases that either as an individual purchase or in the annual aggregate the purchases exceed \$25,000.
 - i) The award of the contract shall be made by the Village Board to the lowest responsible bidder whose quote is determined to be the most advantageous to the Village.
 - ii) For service or professional contracts a Request for Proposals (RFP) process is encouraged.
 - iii) The Village Board is authorized to reject or award any or all bids, proposals, and/or quotes.
 - iv) A record of all bids shall be maintained.
 - v) Written explanation shall be provided to the Village Board in the case that fewer than three suppliers are available to provide a product and/or service that meet Village requirements.
 - vi) No bid shall be accepted where the submitting company or person is in default on the payment of taxes, licenses, or other monies due to the Village.

- b) Competitive Written Quotes shall be required for all purchases in cases that either as an individual purchase or in the aggregate the purchases equal or exceed \$10,000 in value.
 - i) The award of the contract shall be made by the Agent to the lowest responsible bidder whose quote is determined to be the most advantageous to the Village.

- ii) The Agent is authorized to reject or award any or all bids, proposals, and/or quotes.
 - iii) All purchases made under this section shall be based, wherever possible, on at least three quotations. The Agent may delegate the gathering of such quotations to appropriate personnel.
 - iv) Written explanation shall be placed in the purchasing records in the case that fewer than three suppliers are available to provide a product and/or service or Village requirements cannot be met.
- c) Competitive Oral Quotes shall be required to be recorded in written form for all purchases in cases that either as an individual purchase or in the annual aggregate the purchases are less than \$10,000 but equal or exceed \$5,000.
- i) The Agent or designee shall make purchases from the lowest responsible source whose price and/or quote is determined to be the most advantageous to the Village.
 - ii) Three quotes are required. Written record should be placed in the purchasing records in the case that fewer than three suppliers are available to provide a product and/or service or Village requirements cannot be met.
- d) Purchases less than \$5,000 shall be made at the discretion of the Agent, Department Head or designee which is most advantageous to the Village, providing they are clearly budgeted expenditures. Generally, these types of purchases are for services, materials, supplies and equipment needed for day-to-day operations.
- e) The Agent may work with other governmental units in cooperative purchasing for the purpose of obtaining more economical rates and/or prices. For projects or purchases in which one or more governmental units are involved, only one estimate or quote may be required.
- f) All purchasing must adhere to administrative procedures as developed by the Agent under the direction of this policy. Such procedures may be amended or modified at the discretion of the Agent. Future additions to this policy may include the use of purchase orders, blanket purchase orders, sole source procurement, purchase requisitions and the sale of Village owned property.
- g) The Agent, and Department Heads as assigned, shall have the authority to establish an open account for the use of designees purchasing repetitively from a single source. Such accounts might be for the purchase of general office supplies, hand tools, petroleum products, etc. The Agent shall develop such administrative requirements as may be necessary for regulating any open account.
- 5) **PUBLIC CONSTRUCTION CONTRACTS:** Public Construction contracts shall be those as defined in State Statute 60.47. Additional controls and approval procedures shall be placed on public construction contracts as follows:

- a) Competitive sealed bids shall be opened in the presence of the Agent or designee. Bid openings must be scheduled and open to the public.
- b) The Agent or designee shall tabulate the bids and review the bid specifications for compliance with the bid document.
- c) All bids and recommendations will be submitted to the Village Board for approval.
- d) Village Board approval shall be required prior to final payment.

5)(1) **PUBLIC CONSTRUCTION CONTRACTS – ACCEPTANCE OF PROPOSALS:** State Statute 60.47 shall be followed for all public construction contracts. There may be instances when the Village shall find it advantageous to also accept a proposal from Outagamie County. Proposals or estimates shall not be considered bids and will be due the same time as other bids for a project. The decision on allowing proposals from Outagamie County shall be made at the discretion of the Village Board and this decision shall be made at the time the expenditure is budgeted unless there are extenuating circumstances such as a limited timeframe, cooperation with another municipality or work is to be completed on a County highway.

- 6) **PETTY CASH DISBURSEMENTS:** Items purchased having a value less than fifty dollars (\$50.00) may be paid for from Petty Cash. The Petty Cash fund shall be maintained in the Clerk's Office. All reasonable effort shall be made to maintain the petty cash fund cash on hand at two hundred dollars (\$200.00) or less. When such fund exceeds that amount, excess monies shall be deposited into the General Fund account. A log of petty cash fund disbursements and deposits shall be maintained by the Clerk.
- 7) **EMERGENCY PURCHASES:** Under emergency conditions, purchases may be made by authorized departmental personnel or the Village President provided a report of such purchase is made to the Agent as soon as practical and to the appropriate governing body at its next regularly scheduled meeting. Emergency conditions shall be defined as those purchases necessary to protect life, health, and safety.
- 8) **BUDGETARY CONTROLS:** Except in cases of emergency or in cases of duties mandated by the Village (ex. snow plowing):
 - a) No money shall be drawn from the treasury of the Village nor shall any obligation for any expenditure be made except those that are authorized by the annual budget and changes made subsequently by the Village Board.
 - b) The Agent or designee shall not authorize purchase and/or payment unless there are sufficient allocated funds to pay for the purchase.
 - c) See Village of Fredonia Budget and Financing Policies for further guidance on budgetary and capital purchase controls.
- 9) **LOCAL PURCHASING PREFERENCE:** It is the desire of the Village to purchase from local vendors whenever possible. This can be accomplished by insuring that local vendors are included in the competitive shopping process. The Village has a responsibility to its residents however, to insure that the maximum value is obtained for each public dollar spent. It is assumed that local vendors who wish to do business with

the Village will offer the lowest possible quote for the item being purchased. Departments shall use due diligence in identifying local vendors who offer the particular goods or services being sought, and bids or quotes shall be sought from local vendors who have been so identified.

- 10) **FAILURE TO COMPLY WITH POLICY:** Employees who fail to follow the purchasing procedures shall be disciplined as appropriate. Repeated failure to follow the purchasing policy shall be grounds for disciplinary action up to and including termination.

ATTACHMENT A:
GENERAL PURCHASE POLICY APPROVAL TABLE

Money from	Purchase Amount	Proof of Good Price	Approval level
Petty Cash Fund	Less than \$50.00	Purchase Receipt	Clerk, Treasurer, or Agent
Approved Budget	Less than \$5,000	1 or more written or oral quotes as necessary	Agent, Department Head or Designee if clearly defined in budget
Approved Budget	\$5,000 to \$9,999	Minimum of 3 oral quotes	Agent or Designee
Approved Budget	\$10,000-\$24,999	Minimum of 3 written quotes	Agent or Designee
Approved Budget	Exceed \$25,000	Competitive bids	Village Board
Approved Budget	Public Construction Contracts per Statute 60.47 (Exceeds \$25,000)	Competitive sealed bids and/or County Proposal with Board approval	Village Board
Non-Budgeted	\$1,000 or less	1 or more written or oral quotes as necessary	Agent
Non-Budgeted	\$1,000 or more	Per above levels	Village Board
Any Village Funds	Emergency purchases	None Required	Department Heads, Village President with Report to Village Board
Capital Outlay Budgeted	Per above levels	Per above levels	Per above levels

Village of Fredonia

242 Fredonia Ave
Fredonia, WI 53021

Budget and Financial Policies



Adopted by Village Board:

Budget and Financial Policies

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Introduction

The financial policies of the Village of Fredonia establish a framework for the overall fiscal management of the Village. They are guidelines that have been established by the Village Board and should be followed when making financial decisions impacting the future of the Village. These policies may be updated by the Village in the future as necessary.

The purpose for these policies are:

- To improve the Village's fiscal position.
- To provide a consistent framework for financial decision making in lieu of changes in elected or appointed officials.
- To improve credibility and confidence among residents, taxpayers, and investors in the financial management of the Village.

Operations Budget Policies

Annual Budget Process

The Village will prepare an annual budget based on generally accepted accounting principles. Department heads (Clerk, Treasurer, Director of Public Works, etc.), with assistance from the Village Administrator, will be responsible for preparation of their annual capital and operating budgets. The Village Administrator is responsible for creating the budget and presenting it to the Village Board for review and approval.

The Village Board will adopt the annual budget at a meeting held for that purpose in mid-November, following a public hearing and following all procedures as required by state statute.

Development Philosophy

The philosophy for Village budget development includes the following guides:

- The Village will utilize information contained in any comprehensive and strategic plans, emergency operations plan, and any other planning documents for support of budget priorities.
- The Village will strive to ensure that Village service priorities keep pace with the needs of the community by incorporating a needs review as part of the budget process.
- Quality programs and services will be offered by the Village of Fredonia. If expenditure reductions are necessary, program or service elimination is preferable to poor or marginal quality programs.
- As much as reasonably possible, Village services that provide private benefit should be supported in whole or in part by fees and charges.

Audit

An annual audit will be performed by an independent public accounting firm which will issue an opinion on the annual financial statements of the Village.

Budget Adjustments and Balances

Budget Adjustments

Mid-year adjustments within budgeted accounts of a department may be made by department heads that have advised the Village Administrator accordingly. Budget amendments, which change a budget appropriation or are transfers between departments must be approved by a 2/3 majority of the Village Board. As necessary, typically at the end of the year, the Administrator may also present to the Board needed budget adjustments to maintain a balanced budget at year end.

Uncompleted Projects or Appropriations

Any projects which are still considered open or uncompleted at year end shall be presented to the Board at the last meeting held in December by the Village Administrator or during the budget approval process. The Board shall determine if funds will be designated for the following year to complete the open or uncompleted project.

All appropriations lapse at year end and, unless reserved for a specified use, are transferred into the undesignated fund balance. Appropriations which lapse at year end due to increases in efficiency or changes in services, or projects that result in a new cost savings, shall be recognized by the Village Board. Savings shall be used in future years to the benefit of the department which developed the savings if feasible.

Budget Reporting

A statement of bills and a summary report of account balances shall be provided to the Board at its regular meetings for approval. Year to date reports comparing actual to budgeted expenditures will be provided to the Village Board upon request and provided to department heads bi-monthly or quarterly.

Donations

Donations accepted by the Village for a specified purpose shall be used exclusively for that purpose. For example, a donation made to Fredonia Parks & Recreation for purchase of a specific piece of equipment shall only be used for that purpose or the donation shall not be accepted.

Collateralization

The Village shall maintain full collateralization of all Village accounts throughout the year unless authorization is granted by the Village Board. The Village may seek to collateralize accounts through the use of collateral agreements with financial institutions or through diversification of accounts at several institutions. Any collateral agreement shall be approved by the Village Board.

Purchasing Policy

The Village shall maintain a Purchasing Policy as a supplement to these Budget and Financial Policies which shall be reviewed and updated as necessary and provide further detail on expenditure approvals.

Debt Policy

Objective

The Village shall strive to maintain a balanced relationship financing its capital improvements through utilization of current revenues and issuance of long-term debt. The Village recognizes that access to capital markets over the long term is dependent upon the Village's commitment to full and timely repayment of debt.

Policy

The Village may issue bonds and notes for the purpose of financing its capital improvements or to refund existing debt. The Village will not use long term debt for financing current operations.

General Guidelines

- 1) The Village shall assess the fiscal impact of the debt prior to issuance.
- 2) The length of term of borrowing should not exceed the useful life of the assets or projects for which funding will be used.
- 3) General obligation debt shall not exceed Wisconsin State statute limitations of 5% of equalized valuation.
- 4) Total annual debt service payments on tax-supported debt of the Village will not exceed 25% of total general government operating revenue.
- 5) The Village shall not incur debt obligations which have variable interest rates, negative amortization, unusual deferred principal payment or other risky attributes.

Refunding

Periodic reviews of outstanding debt by Village staff shall be undertaken to determine refunding opportunities. Refunding may be considered by the Village Board if it appears there may be a net economic benefit. In general, refunding for savings may be undertaken when the present value of future annual debt service savings net of issuance cost amount to at least 3% of the refunded debt.

Disclosure

The Village is committed to transparent financial disclosure, and to cooperating fully with rating agencies, institutional investors, other units of government, and the general public, in order to share clear, comprehensible, and accurate financial information. The Village Administrator or designee shall provide continuing disclosure in compliance with any continuing disclosure certifications that may be made at the time of each debt issuance.

Capital Improvement Plan Policy

Policy

The Village shall create and maintain a five-year Capital Improvement Plan (CIP) to plan for and finance Village capital projects. As necessary, longer term CIPs may be created.

General Guidelines

- 1) The CIP will be reviewed and updated annually.
- 2) Where feasible, the Village shall use all sources of revenue available before using local property tax funds or borrowing. Department heads are encouraged to apply for any private, state or federal funding sources available to leverage local property taxes.
- 3) Expenditures and funding sources shall be so arranged as to smooth out the property tax rate, therein avoiding significant fluctuations in property tax rates from year to year.
- 4) The use of special assessment shall be in conformance with the Village's Ordinances.
- 5) Under no circumstances shall the Village install public improvements for private development without fully securing the financial interests of the Village.
- 6) The CIP will generally be financed on a "pay-as-you-go" basis. However, the need to finance major expenditures by borrowing will be reviewed as necessary and consistent with the Debt Policy. The decision to use current financial resources or to borrow will be based on the following factors:
 - a. Type of Project – The projected useful life of the project will be the determinant. The longer life of the project, the greater justification for borrowing.
 - b. Cost of Project – The larger the cost of the project, the greater justification for borrowing.
 - c. Funding Source – The degree of certainty that exists on the future level and availability of a particular funding source is a factor.
 - d. Fund Availability – If adequate fund balances are available, there is less justification for borrowing.
 - e. Bond Market – Status of the market condition, i.e., interest rates and terms.

Fund Balance Policy

Objective

The objective of the Fund Balance Policy is to set guidelines for the control and reporting of all of the Village's fund balance assignments. An adequate fund balance level is an essential element in both short-term and long-term financial planning. Maintenance of sufficient levels of fund balance enables the Village to stabilize funding for operations, stabilize taxes and fees, and realize cost savings in issuing debt. This fund balance policy is meant to serve as the framework upon which consistent operations may be built and sustained.

Definition

Fund Balance: The difference between assets and liabilities in a governmental funds (i.e., enterprise, general fund, special revenue funds, capital projects funds, debt service fund and permanent funds).

Non-spendable Fund Balance: Describes the amount of a fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact.

Spendable Fund Balance: Describes the amount of fund balance that is available for appropriation based on the constraints that control how specific amounts can be spent. Typically, a significant portion of a government's spendable resources can be spend only for specific purposes.

Restricted Fund Balance: The restricted fund balance category includes the portion of the spendable fund balance that reflects constraints on spending because of legal restrictions stipulated by outside parties or based on state statutes or grant requirements placed on the use for specific purposes. Examples include refuse, environmental fee, impact fees and tax increment funds.

Committed Fund Balance: The committed fund balance category includes the portion of spendable fund balance that reflects constraints that the Village has imposed upon itself by a formal action of the Village Board (for example, an ordinance or resolution passed by the Village Board). This constraint must be imposed by year end, but the amount can be determined at a later date. It also requires Village Board action to change the purpose. Examples include the trail development fund or park impact fees.

Assigned Fund Balance: The assigned fund balance category includes the portion of spendable fund balance that reflects funds intended to be used by the government for specific purposes assigned by more informal operational plans. Generally, the assigned balance will be used in the subsequent year's budget.

Unassigned Fund Balance: The unassigned fund balance category includes the portion of spendable fund balance not contained in the other categories and the residual for the government's General Fund (i.e., residual net resources, or the balance after restricted, committed and assigned). The unassigned fund balance is available for any purpose.

These are the current resources available for which there are no government self-imposed limitations or set spending plan. Although there is generally no set spending plan for the unassigned portion, there is a need to maintain a certain funding level.

Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received.

Flow of Funds: The policy of the Village guiding the order of fund balance spend-down shall be as follows: 1) restricted; 2) committed; 3) assigned; and 4) unassigned. This order will be used for purposes of reporting fund balance.

Minimum Fund Balance: In order to maintain sufficient cash reserves for working capital and emergency expenditures, the Village needs to develop and adopt a minimum fund balance policy.

The following are the overarching funds for which financial statements are prepared:

Governmental Funds: All funds except for the proprietary funds. There are five types of governmental funds (General, Special Revenue, Debt Service, Capital Projects, Permanent, Enterprise and Internal Service). The Village utilizes three (3) type of governmental funds:

General Fund: A government's primary operating activities. Used to account for day-today operations of the Village, including: Village Board, Administrative and Financial services, Human Resources, Community Development, Economic Development, Public Works, Engineering, Police, Fire, and non-departmental services unaccounted for in other funds.

Proprietary Funds: Reports on activities financed primarily by revenues generate by the activities themselves, such as a municipal utility. There are two types of proprietary funds:

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and is self-supporting in nature. The Village's Enterprise Funds is used to account for the operations of the Stormwater Utility.

Policy

General Fund

The Village will establish a contingency fund to provide for unanticipated expenditures of a non-recurring nature. This contingency will be equal to 5 percent of the total General Fund operating expenditures excluding capital outlay and debt service. If unused during the fiscal year, up to \$25,000 of this fund may be considered part of the Village's unreserved, unassigned fund balance at year-end. The Village wishes to minimize its dependence on revenues not

controlled by the Village; therefore, a long-term goal is to increase General Fund revenues from Village controlled sources.

The Village will also maintain a working capital reserve (current assets less current liabilities) of 30% percent of the General Fund operating budget to provide funds for reasonable cash flow needs. This reserve will also be used when the Village encounters unforeseen emergencies such as storms, floods, severe unexpected increases in service costs or decrease in revenue, or other situations that are determined to be an emergency by the Village Board.

Restricted General Fund Balance

Once the annual audit of the Village is complete, the Village will report restricted fund balances for amounts that have applicable legal restrictions, per provisions of GASB #54.

Committed General Fund Balance

Prior to the end of each fiscal year, the Village will determine the specific purposes of committed fund balance. Any new specific purposes will be set forth in a Village Board resolution with the final amount being determined at or after year-end. Specific purposes for committed fund balance approved in prior year resolutions will be carried forward until changed by a current year resolution. In most instances, general fund non-lapsing accounts or other previously designated amounts will be reported as committed fund balance.

Assigned General Fund Balance

The authority to assign general fund balance relating to the carryover of fund balance at the close of each fiscal year has been delegated to the Village Administrator. These assigned funds must be reported to the Village Board. The Village Board has the authority to remove or change the assignment of the funds with a simple majority vote.

Unassigned General Fund Balance

The Village Board has established a minimum General Fund unassigned fund balance goal of 30 percent of total current annual General Fund operating expenditures excluding capital outlay and debt service. Any projected surplus over 30 percent will be available for use by the Village as determined once the annual audit of the Village is complete, generally, for one-time projects, debt reduction or allocation to a committed fund balance.

Once the annual audit of the Village is complete, the unassigned General Fund balance will be annually calculated by the Village Administrator, or designee. In the event that the unassigned General Fund balance is calculated to be less than the policy anticipates, the Village shall plan to adjust budget resources in the subsequent fiscal years to restore the balance. Except in extraordinary circumstances the unassigned General Fund balance should not be used to fund any portion of the ongoing operating expenditures. It should primarily be used to insure adequate assigned balances, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability. Whenever, General Fund balance funds are used, the reserve will be replenished as soon as possible.

Total General Fund Cash and Investments/Liabilities: The goal of the Village is to keep sufficient cash and short-term investments available to meet short-term liabilities.

Enterprise Funds

The appropriate net position of Enterprise Funds will be maintained to ensure adequate maintenance reserves and to ensure that cash flow balancing requirements and legal restrictions are met.

Reserves: The Village will maintain a minimum level of Working Capital (current assets minus current liabilities) of its Enterprise Funds equal to three months of regular, on-going operating expenses including transfers out.

In the event that the reserves are used resulting in a balance below the three month minimum, the Village Administrator, or designee, will develop a plan to be presented during the annual budget process. The Village Administrator will also ensure that net operating revenues of the Enterprise Funds that hold revenue debt constitute a minimum of 1.5 times the annual Debt Service requirements. The Village Administrator will review the Enterprise Fund Reserves once the annual audit of the Village is complete.

Rate Structure: Each Enterprise Fund will maintain an adequate rate structure to cover the costs of all operations, including maintenance, depreciation, capital and debt service requirements, reserves, and any other cost deemed necessary. Enterprise Fund rate structures will be reviewed by the Village Administrator at least annually.

Formula

The formula for computing the contingency expenditure appropriation:

Contingency Fund

General Fund Operating Expenditures * 5% = Contingency expenditure appropriation
(Less capital outlay and debt service)

The formula for computing the fund balance percentage is as follows:

Unassigned Fund Balance

General Fund Operating Expenditures * 30% = Unassigned Fund Balance amount
(Less capital outlay and debt service)

Investment Policy (Rev. 9.17.19)

Objective

To establish a uniform policy governing the investment of operating funds of the Village of Fredonia.

Policy

It is the policy of the Village of Fredonia to invest public funds in a manner that will provide the highest investment return consistent with the protection of principal while meeting the daily cash flow demands of the Village. The Village shall conform to all applicable legal requirements governing the investment of public funds.

Investment Objective

The primary objectives, in priority order, of the Village of Fredonia investment activities shall be:

Safety

Investments of the Village shall be undertaken in a manner that seeks to ensure the preservation of capital. The objective will be to mitigate credit risk, interest rate risk and custodial risk.

Credit Risk

The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities permitted under Wisconsin Statutes Chapter 66.0603.
- The Village Board shall by resolution approve the public depositories that are deemed appropriate for use under Wisconsin and Federal law.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Interest Rate Risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Custodial Risk

The Village will minimize custodial risk, which is the risk that in the event of a financial institution failure, the Village's deposits may not be returned to it, by:

- Maintaining a list of public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services.
- All public depositories, financial institutions and broker/dealers authorized to provide deposit and investment services must supply as appropriate audited financial

statements demonstrating compliance with state and federal capital adequacy guidelines.

Liquidity

Village investments will remain sufficiently liquid to enable the Village to meet all operating requirements that might be reasonably anticipated.

Return on Investments

Village investments shall be designed with the objective of attempting to attain a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Delegation of Authority

Management responsibility for the investment of funds is hereby delegated to the Village Administrator, or his/her designee, with oversight by the Village Board.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The standard of care to be used by investment officials shall be the "prudent person" standard, which states "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived" and shall be applied in the context of managing an overall portfolio.

Authorized and Suitable Investments

The investment of Village funds shall be in accordance with Wisconsin statute 66.0603 (1m). Permitted investments include:

Certificates of Deposit (CD). Village funds may be invested in a CD at any financial institution authorized as a public depository for the Village.

- As practicable, investment amounts are limited to the maximum of state and FDIC insurance limits for each institution unless collateralized.

Local Government Investment Pool (LGIP). Village funds may be invested in the Wisconsin Local Government Investment Pool.

U.S. Treasuries. Treasury obligations which carry the full faith and credit guarantee of the United States government or by a commission, board or other instrumentality of the United States government.

Money Market and Savings Deposit. Village funds may be invested in interest bearing checking, savings and money market accounts provided by a Village approved public depository.

Internal Controls

The Administrator, or his/her designee, shall establish a system of internal controls designed to prevent losses of Village funds arising from fraud, misrepresentation by third parties, unanticipated changes in financial markets, employee error or imprudent actions by employees.

Internal controls shall address:

- Separation of transaction authority from accounting and record keeping.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Dual authorizations of wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Investment and interest earnings will be recorded in the Village's accounting records based on generally accepted government accounting procedures.
- A monthly summary of all investment transactions will be prepared by the Administrator, or his/her designee for review by the Village Board.

Investment Parameters

Diversification

Investments shall be diversified by:

- Limiting investments to avoid over concentration in securities from a specific issuer, industry or business sector, excluding U.S. Treasury obligations.
- Investing in securities with varying maturities.
- Continuously investing a portion of the investment portfolio in readily available funds such as local government investment pools, money market accounts or money market mutual funds permissible under state statute.

Reporting

The Administrator, or his/her designee, shall present a monthly report on the investment program and investment activity to the Village Board. The report shall include a management summary displaying the status of the investment portfolio and transactions made over the previous month. The management summary shall be prepared in a manner that will allow the Village Board to determine if investment activities during the reporting period conform to this Investment Policy.

Pooling of Cash

Except where otherwise provided by the Village Board, the Administrator, or his/her designee, is authorized to pool the cash of various funds to maximize investment earnings where it is

advantageous and prudent to do so. Investment income will be allocated to the various funds based on the pro rata portion of each fund.

Adoption and Approval

The Investment Policy shall be formally approved and adopted by the Village Board and reviewed as needed.