

STRATEGIC PLAN

INTRODUCTION

The Village of Grafton has been and is committed to its mission, "*As a managed growth community in the Milwaukee metropolitan area, Grafton strives to deliver the finest municipal services available in the most cost effective and efficient manner, and in so doing, ensure the highest quality of life for its residents -- defined by quality housing in safe neighborhoods, the provision and maintenance of essential streets and utilities, a broad and stable economic base, exceptional recreational opportunities, and attractive commercial and industrial development*" and its brand of "Quality Life. Naturally."

To accomplish this mission, the Village conducts Strategic Planning on an annual basis. Strategic planning gives elected officials and Village staff the tools to respond to rapid changes in technology, markets, and customer expectations. The Village's staff has worked as a team to develop and improve the Village's efforts in strategic planning. This continuing effort has resulted in a comprehensive strategic planning process that is designed to achieve two broad purposes:

- To develop an organizational climate that responds proactively, rather than reactively; and
- To align the Village's resources with the most important challenges facing Grafton.

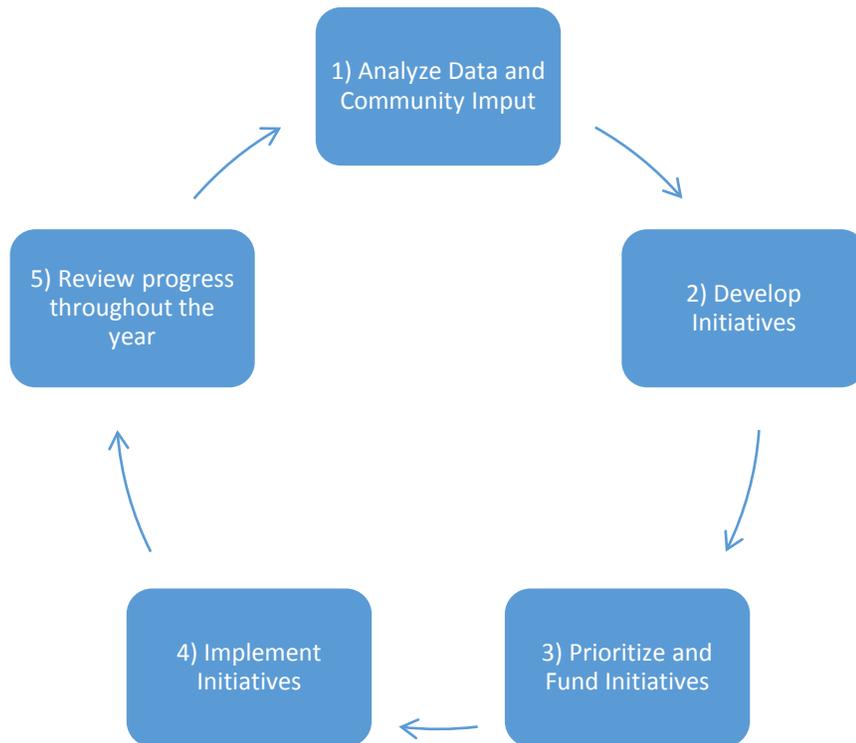
Through this process, the Village:

- Identified the "vital" strategic priorities – Areas of Emphasis, that will enable the Village to move forward in accomplishing its mission statement;
- Determine how it will respond in addressing these strategic priorities, the methods it will use in meeting priorities, and the "scoreboard" it will use to measure results;
- Aligned the Village's personnel, fiscal, and capital resources to address the most critical issues facing the community; and
- Sought to maintain our residents' confidence and trust that their Village leaders are working on the issues that they believe are key to improving the quality of their lives.

To further the Village's ever-evolving planning process, each year the Village utilizes data, including input from elected officials, residents, and businesses, to identify community needs and requirements. The strategic planning process initially undertaken by staff resulted in a long-term, broad overview describing the Village's strategic initiatives, Areas of Emphasis. These initiatives are annual revisited and refined based on citizen-generated input through meetings and citizen requests, etc. In addition, the Village conducts an annual comprehensive Village-wide survey, which is used to rate resident satisfaction with current services and identify future areas of focus.

Once the community needs and requirements are identified and confirmed, each department develops short and long-term initiatives to address those needs. Those initiatives are then prioritized and incorporated into the annual budget process to be funded. The following year, the cycle will begin again with data analysis and community input (see Figure 1 below).

Figure 1: Strategic Planning Cycle



STRATEGIC PRIORITIES

The Areas of Emphasis serves as the foundation for the Village's Strategic Plan. Based on data analysis and community input, the Village has developed seven main areas of focus:

- 1. Continue to improve the quality of life**
 - a. Ensure quality of public health and safety services
 - b. Promote community wellness
 - c. Implement Comprehensive Outdoor Recreation Plan
- 2. Improve efficiency and effectiveness of municipal services**
 - a. Expand use of technology to improve services and its efficiencies
 - b. Expand intergovernmental partnerships for greater efficiencies and cost savings
 - c. Continue implementation of Sustainability Guide Plan
- 3. Ensure stakeholders are well informed and engaged on municipal matters**
- 4. Ensure fiscal stability**
- 5. Ensure adequate infrastructure, facilities and equipment**
 - a. Ensure safe and adequate transportation
 - b. Ensure public facilities and equipment are adequate and maintained in a cost effective manner
- 6. Promote quality and sustainable economic and community development**
- 7. Promote a quality housing mix for Grafton's residents and Grafton's business workforce.**

For the past 5 years, the Village has conducted annual Village-wide survey to rate resident satisfaction with some of the Village’s Areas of Emphasis. The following table is a sampling of the 2014 survey results:

Ensure stakeholders are well informed and engaged on municipal matters	Implement Comprehensive Outdoor Recreation Plan	Continue to improve the quality of life	Ensure quality public health and safety services
Effectiveness in providing activity information with rating of Good or Excellent 60%	Park System is listed as having Significant or Moderate Effect quality of life 92%	Overall Quality of Life rated Good or Excellent 93%	Fire Department services with rating of Good or Excellent 87%
Village website as Useful Source with rating of Good or Excellent 72%	Lime Kiln Park with rating of Good or Excellent 88%	Low Crime Rate is listed as having Significant or Moderate Effect on community’s quality of life 98%	Police Department services with rating of Good or Excellent 84%

STRATEGIC INITIATIVES

The series of tables that follow provide a summary of the Village’s Strategic Priorities; the Strategic Initiatives that support the strategic priorities; and some of the Budgeted Programs and Services that support these initiatives and priorities.

Ensure stakeholders are well informed and engaged on municipal matters		
Strategic Priorities	Strategic Initiatives	Budgeted Programs/Services
To keep Village residents, the general public, Village employees, and the media informed about Village issues, programs and community events.	Expand E-government access. Improve email system for Village employees.	Update Village’s website and its services. Update on-line property records information such as building photos and sketches Review email system options including cloud based system.

Implement Comprehensive Outdoor Recreation Plan		
Strategic Priorities	Strategic Initiatives	Budgeted Programs/Services
To provide and maintain parks and open space in a manner that is attractive and inviting.	Expand and improve public access to riverways.	Extend riverwalk along Veterans Memorial Park.
	Ensure public facilities and equipment are adequate and maintained in a cost effective manner.	Refurbish Veterans Memorial Park pavilion. Construct public plaza in conjunction with Lumberyard 1505 Phase 1 development.
To provide quality programming for the Family Aquatic Center.	Ensure public facilities and equipment are adequate and maintained in a cost effective manner.	Replace all recirculating pumps and motors for Family Aquatic Center filtration system and water features.

Continue to improve the quality of life		
Strategic Priorities	Strategic Initiatives	Budgeted Programs/Services
To provide safe sidewalks for the traveling public.	Inspect and replace defective sidewalk.	Continue Sidewalk Replacement Program.
	Provide connecting pedestrian paths to all residential developments.	Construct sidewalk along Riverbend Road between Wichita Lane and 300 feet east of Yuma Street.
To coordinate with other Grafton community groups to provide support for community events.	Create, develop, and promote tourism events.	Contract with Celebrate Grafton to provide tourism promotion. Financial and in-kind contribution to Chamber of Commerce for fireworks and parade.
To keep private properties from becoming overgrown.	Inspect and sent weed notices to property owners who are in violation of weed control ordinance.	Provide weed cutting/removal service to property owners who are not in compliance with weed control ordinance.

To keep streets clear of debris and dirt.	Develop systematic strategy to adequately clear streets of debris and dirt.	Monthly sweep of all Village streets and weekly sweep of all downtown streets.
To provide streets and parks lined with healthy trees.	Manage and enhance street tree program.	Update street tree inventory including location, age, and species via software. Purchase and installation of “gap” street trees.
	Proactive strategy to minimize impact of Emerald Ash Borer.	Removal of Ash street trees with limited terrace width. With DNR grant, chemically treat Ash trees to inoculate against Emerald Ash Borer and plant additional trees.

Ensure quality public health and safety services		
Strategic Priorities	Strategic Initiatives	Budgeted Programs/Services
To continue researching joint municipal projects with neighboring communities.	Pursue multi-user 911 equipment.	Research the viability of multi-user 911 equipment.
	Continued support for the prescription drug return program.	Coordinate with Ozaukee County on continuation of collection and disposal of prescription medications.
	Assist with review for update/upgrade to radio system. Participate in Multi-Jurisdictional search team	Coordinate with other users of the county wide radio system regarding radio upgrade or replacement. Train Grafton Police Department personnel as members of a multi-jurisdiction search team.
To provide high quality police services.	In conjunction with the Fire Department’s Emergency Medical Services (EMS), provide enhanced Emergency communication.	Training of all emergency dispatch personnel on Emergency Medical Dispatch protocols.
	Expand used of technology to improve services and its efficiencies.	Continue use of license plate reader to allow patrol units to automatically record and query license plates for warrants, registration status, and aid in investigations. Purchase four replacement video devices for patrol vehicles.

To provide high quality fire and EMS services.	Improve reliability of afterhours and weekend EMS coverage.	Fund on-call pay for one paramedic and one EMT for evenings and weekends.
	Improve fire inspection services.	Fire Inspector will coordinate with partial addition to part-time daytime staff to increase multifamily building inspections.

In order to achieve the above objectives, the Village has to invest in attracting and maintaining a sound leadership team with empowered employees. As such, the Village implemented the Areas of Emphasis to support its core value of Leadership and High Performance Organization philosophy and the Village’s Strategic Plan:

1. Optimize training and development and
2. Retain a high-quality workforce.

STRATEGIC SCORECARD

Once the Areas of Emphasis are determined, the Village uses the Benchmark and Performance Measurements to implement these strategic initiatives and to monitor progress throughout the year. The Measurements are located in each program budget section.

Areas of Emphasis that are found in the Strategic Scorecard can be thought of as broad-based goals that achieve the collective vision of the Community. These strategic initiatives were developed through a comparative analysis that evaluated the community-generated goals, objectives and action steps.

Each of the initiatives is represented with outcome measures (lag indicators) and performance drivers (lead indicators). Each measurement has a target goal, which was determined based on benchmarking of the Village's historical data, and the Village's desired outcome. The measurements will represent the effectiveness of accomplishing the respective initiative.

A narrower version of the master strategic scorecard can be used at all levels of the organization. Through the planning process, each department prepared their operational initiatives including some of their departmental initiatives linking the Village-wide Areas of Emphasis to the Strategic Scorecard.

CONCLUSION

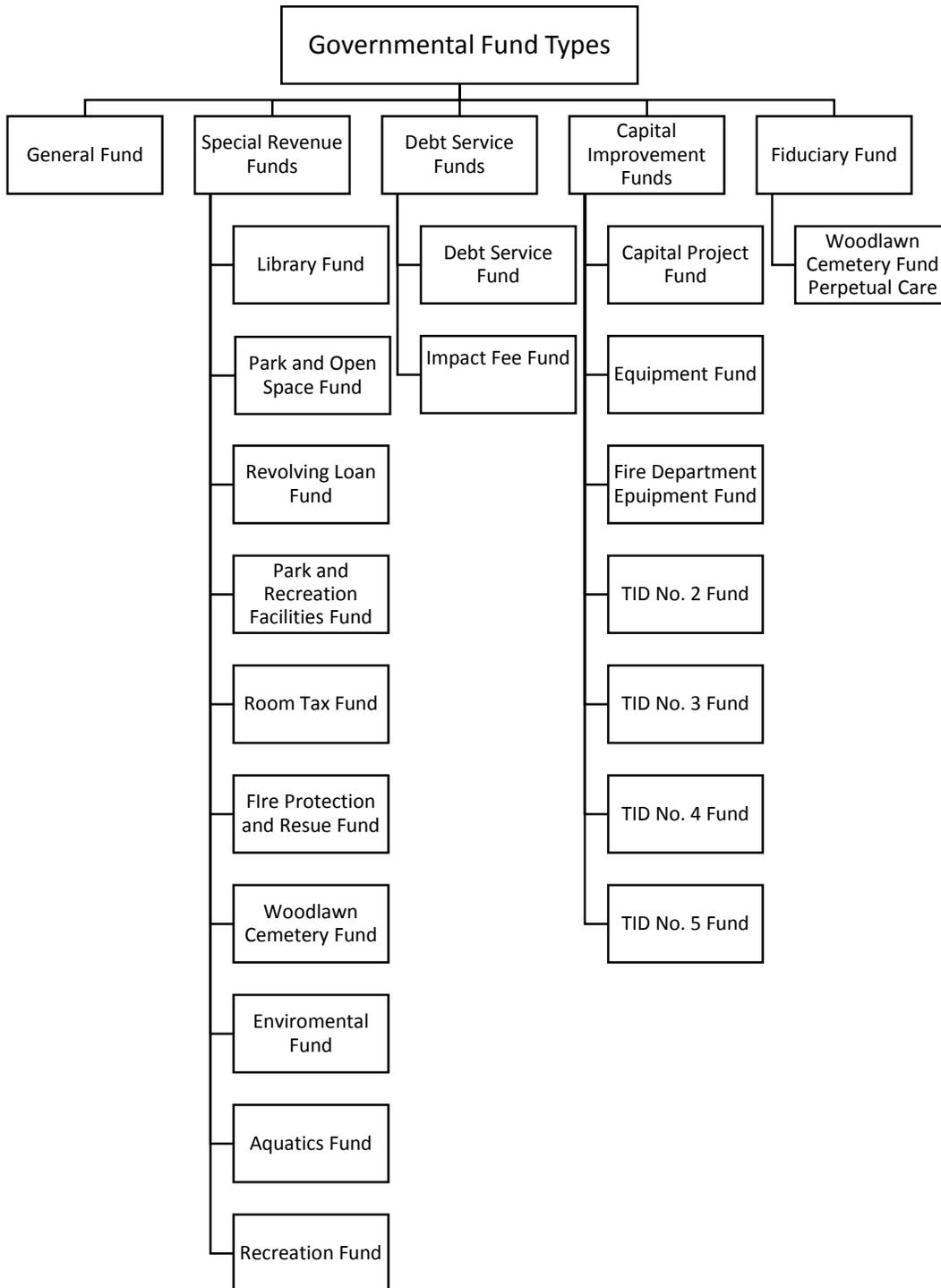
The Village is dedicated to its vision of “Quality Life. Naturally”. Our commitment to our residents through the execution of our Strategic Plan has also been recognized by outside agencies through the presentation of various awards and certificates, including the following:

- **10th Safest Community to Live in Wisconsin** (with a population of 10,000 or more) as awarded by Movoto, an online real estate company based in San Mateo, CA
- **Tree City USA** designation by the Arbor Day Foundation
- **Award for Outstanding Achievement - Popular Annual Financial Report** designation by Government Finance Officers Association
- **Certificate of Achievement for Excellence in Financial Reporting** designation by Government Finance Officers Association
- **Certificate of Distinction** by ICMA Center of Performance Analytics

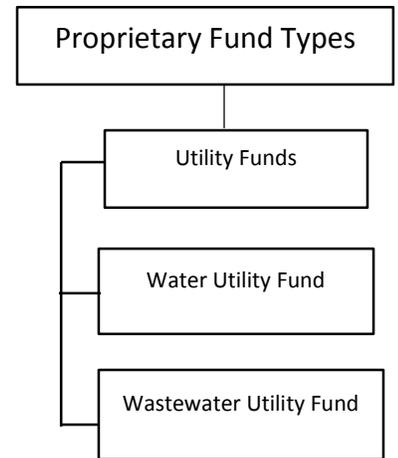
Fund Structure

By Budgetary Basis

Modified Accrual Basis of Budgeting



Accrual Basis of Budgeting



BUDGETARY BASIS

Budgetary Basis refers to the point in time at which revenues and expenditures are recognized in the accounts and reported in the financial statements.

Modified Accrual is the method under which revenues and other financial resource increments are recognized when they become susceptible to accrual; that is, when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay the liabilities of the current period.

The **Governmental Funds (General, Special Revenue, Debt Service, and Capital Improvement) and Fiduciary Fund** are budgeted and accounted for using the *modified accrual basis of accounting*.

Property taxes are recorded in the year levied as receivable and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. Property taxes are levied and billed in December; payment in full or the first installment payment due date is January 31; the second installment payment due date is March 31, and the third installment payment due date is May 31.

Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Village is entitled to the aids.

Special assessments are recorded as revenues when collected. Annual installments due in future years are reflected as receivables and deferred revenues.

Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Accrual Basis indicates revenues are recorded when they are earned (whether or not cash is received at the time) and expenditures are recorded when goods and services are received (whether cash disbursements are made at the time or not).

Financing reporting for the **Proprietary Funds** is on the *accrual basis of accounting*. Depreciation is budgeted as a separate capital and debt activity and is identified as part of the balance sheet for presentation.

FUND DESCRIPTIONS

Governmental accounting systems should be organized and operated on a fund basis. Individual resources are allocated to, and accounted for, in separate accounting entities, identified as funds, based upon the purposes for which they are to be spent and the means by which spending activities are legally controlled.

Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Individual funds are classified into three broad categories: Governmental, Proprietary, and Fiduciary. All funds are appropriated.

Governmental Fund Types

Governmental Fund Types are subdivided into five sections: General Fund, Special Revenue Funds, Debt Service Funds, Capital Improvement Funds, and Fiduciary Fund.

- General Fund: The general operating fund used to account for most of the day to day activities of the Village.
- Special Revenue Funds: Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt Service Funds: Account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.
- Capital Improvement Funds: Account for the financing and expenses associated with major equipment purchases, land purchases or infrastructure projects.
- Fiduciary Fund: Account for activities in which the principal asset is permanently reserved.

Fund 100 – General Fund (Major Fund)

The General Fund of a government unit serves as the primary reporting vehicle for current government operations. The General Fund, by definition, accounts for all current financial resources not required by law or administrative action to be accounted for in another fund. The major sources of revenue for the General Fund include: property taxes and intergovernmental revenue. The major departments funded are: Village Administration, Village Clerk, Administrative Services, Property Assessment, Public Works, Planning and Development, Police, Building Inspection, and Parks. This fund is considered a major fund.

Fund 230 – Library Fund (Non-Major Fund)

The Library Fund is a Special Revenue Fund used to account for current operations and capital costs associated with the U.S.S. Liberty Memorial Public Library. This fund is considered a non-major fund.

Fund 203 – Park and Open Space Fund (Non-Major Fund)

The Park and Open Space Fund is a Special Revenue Fund used to account for activities and capital costs associated with implementing the 2014 Comprehensive Outdoor Recreation Plan. This fund is considered a non-major fund.

Fund 204 – Revolving Loan Fund (Non-Major Fund)

The Revolving Loan Fund is a Special Revenue Fund used to account for costs associating with operating the loan program which offers low interest and/or deferred principal payments for companies that are unable to obtain loans from financial institutions and the U.S. Small Business Administration. This fund is considered a non-major fund.

Fund 220 – Park and Recreational Facilities Fund (Non-Major Fund)

The Park and Recreational Facilities Fund is a Special Revenue Fund used to account for impact fees paid by local residential developers (in lieu of dedicating land) and capital costs associated with the “2014 Comprehensive Outdoor Recreation Plan – Estimated Cost Projections for Future Park and Recreation Facilities”. This fund is considered a non-major fund.

Fund 201 – Room Tax Fund (Non-Major Fund)

The Room Tax Fund is a Special Revenue Fund used to account for the collection of room tax revenue and the use of the funds. This fund is considered a non-major fund.

Fund 202 – Fire Protection and Rescue Fund (Non-Major Fund)

The Fire Protection and Rescue Fund is a Special Revenue Fund used to account for all operational activities of the Grafton Fire Department. This fund is considered a non-major fund.

Fund 205 – Woodlawn Cemetery Capital Fund (Non-Major Fund)

The Woodlawn Cemetery Capital Fund is a Special Revenue Fund used to account for activities associated with the acquisition of land, equipment associated with the maintenance of the cemetery or other miscellaneous expenditures for the benefit of the public cemetery located at North Street and Third Avenue. This fund is considered a non-major fund.

Fund 240 – Environmental Fund (Non-Major Fund)

The Environmental Fund is a Special Revenue Fund used to account for the Wisconsin Department of Natural Resources-required activities associated with contamination sites which operated for the benefit of Village residents and residents. This fund is considered a non-major fund.

Fund 225 – Aquatic Fund (Non-Major Fund)

The Aquatic Fund is a Special Revenue Fund used to account for operational and capital activities associated with the Family Aquatic Center and for any Village programming at the Grafton High School indoor pool. This fund is considered a non-major fund.

Fund 215 – Recreation Fund (Non-Major Fund)

The Recreation Fund is a Special Revenue Fund used to account for operational recreational programming and wellness activities. This fund is considered a non-major fund.

Fund 300 – Debt Service Fund (Major Fund)

The Debt Service Fund is a Debt Service Fund used to account for the accumulation of resources for the payment of general long term debt principal, interest, and related costs. This fund is considered a major fund.

Fund 305 – Impact Fee Fund (Non-Major Fund)

The Impact Fee Fund is a Debt Service Fund is used to account for revenue associated with new development to pay for debt issued on the expansion of the Police Station and the replacement Public Works facility. This fund is considered a non-major fund.

Fund 405 – Capital Projects Fund (Major Fund)

The Capital Projects Fund is a Capital Improvement Fund which is used to account for the costs associated with projects, major equipment purchases and land purchases. This fund is considered a major fund.

Fund 410 – Equipment Fund (Non-Major Fund)

The Equipment Fund is a Capital Improvement Fund which is used to account for the costs associated with the purchase (except for Fire Department) of vehicles and equipment. This fund is considered a non-major fund.

Fund 415 – Fire Department Equipment Fund (Non-Major Fund)

The Fire Department Equipment Fund is a Capital Improvement Fund which is used to account for the costs associated with the Fire Department's purchase of vehicles and equipment. This fund is considered a non-major fund.

Fund 203 – Tax Incremental District No. 2 - Grafton Business Park (Non-Major Fund)

The Tax Incremental District No. 2 - Grafton Business Park Fund is a Capital Improvement Fund which accounts for infrastructure improvements to the 1996-created 68 acre Grafton Business Park. This fund is considered a non-major fund.

Fund 340 – Tax Incremental District No. 3 – Downtown Redevelopment (Major Fund)

The Tax Incremental District No. 3 – Downtown Redevelopment Fund is a Capital Improvement Fund which accounts for planning, marketing, and infrastructure improvements for the 1999-identified downtown redevelopment area. This fund is considered a major fund.

Fund 360 – Tax Incremental District No. 4 – South Commercial District (Non-Major Fund)

The Tax Incremental District No. 4 – South Commercial District Fund is a Capital Improvement Fund which accounts for planning, marketing, and infrastructure improvements for the 2003-identified 141 acre south commercial redevelopment area. This fund is considered a non-major fund.

Fund 380 – Tax Incremental District No. 5 – Grafton Commons (Non-Major Fund)

The Tax Incremental District No. 5 – Grafton Commons Fund is a Capital Improvement Fund which accounts for planning, marketing, and infrastructure improvements for the 2006-created 70 acre commercial development area. This fund is considered a non-major fund.

Fund 803 - Woodlawn Cemetery Perpetual Care Fund (Non-Major Fund)

The Woodlawn Cemetery Perpetual Care Fund is a Fiduciary Fund used to account for funding toward the maintenance of the Woodlawn Cemetery. This fund is considered a non-major fund.

Proprietary Fund Type

Proprietary Fund Type has one section: Utility Funds.

Utility 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fund 605 – Water Utility Fund

The Water Utility Fund is a Proprietary Fund that accounts for water services provided to Utility customers of the Village of Grafton. This fund is considered a major fund.

Fund 610 – Wastewater Utility Fund

The Wastewater Utility Fund is a Proprietary Fund that accounts for wastewater collection and treatment services to Utility customers of the Village of Grafton. This fund is considered a major fund.

The Village does not have any Internal Service Funds.

Major Fund Definition

A Major Fund is defined as a fund that reports at least 10 percent of total governmental assets, liabilities, revenues or expenditures and at least 5 percent of combined Village assets, liabilities, revenues or expenditures. A government agency may choose to classify a fund as a major fund if that fund has particular importance to financial users. By definition, the General Fund is always considered a major fund. The remaining major funds are Debt Service Fund, Capital Projects Fund, and Tax Incremental District No. 3 – Downtown Redevelopment.

The other non-major funds consist of all Special Revenue Funds, Impact Fee Fund, Fund, Equipment Fund, Fire Department Equipment Fund, Tax Incremental District No. 2 - Grafton Business Park, Tax Incremental District No. 4 – South Commercial District, Tax Incremental District No. 5 – Grafton Commons, and the Woodlawn Cemetery Perpetual Care Fund.

Relationship between Budgeting and Accounting

This budget is adopted on a basis consistent with GAAP, except for certain items that are adjusted on the Village's accounting system at fiscal year-end. During the year the Village's accounting system is maintained on the same basis as the adopted budget. This enables departmental budgets to be easily monitored via accounting system reports on a monthly basis.

The major differences between this adopted budget and GAAP for governmental funds are: a) certain revenues and expenditures, (e.g., compensated absences) not recognized for budgetary purposes are accrued (GAAP); b) supply inventory and self-insurance contributions are recognized as expenditures for budgetary purposes only. Proprietary Fund differences consist of the following: a) certain items, e.g., principal expense and capital outlay, are recorded as expenditures for budgetary purposes as opposed to adjustments of the appropriate balance sheet accounts (GAAP); b) depreciation is recorded as an expense (GAAP) and not recognized for budgetary purposes.

OVERVIEW OF BUDGET POLICIES, PRESENTATION, AND PROCESS

1. BUDGET POLICIES

Introduction

The Village of Grafton program budget serves as a comprehensive, rational guide for financial decision-making and operations management throughout the fiscal year.

This is accomplished by the existence of policies and procedures that apply uniformly throughout all Village Funds, all departments and all programs and services.

The following section outlines those basic **policies and procedures**, which govern the planning, preparation, implementation, and management of the Village budget each year.

A. Forecasting Methodology of Revenues and Expenditures

Each year, the Village must develop a plan of action - forecasting, for projecting its revenues and expenditures.

Forecasting provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the forecast period, along with an understanding of how the total financial program will be affected by the demographic and economic factors driving these forecasts. The value of forecasts is in estimating whether, given assumptions about local financial policies and economic trends, Grafton will have sufficient resources to meet the resource requirements of ongoing, planned, or mandated programs. Forecast models have the added value of providing a planning tool for capital projects and/or whether bonded indebtedness will be required for capital funding. In short, forecasting provides an estimate of the financial flexibility of the Village, as well as insight into property value, revenue, and service options the Village Board must address.

The Village of Grafton forecasting methodology reflects a combination of internal analysis and locally generated consensus forecasts covering such factors as: population growth, real estate property values, income per capita, and inflation. Specifically, for the revenue forecasts, we begin with models that include prior year actual collections and project the balance of the current fiscal year based on prior year patterns. For the remaining years of the revenue forecast, we look to consensus forecasts (such as the Wisconsin Department of Revenue) for an indication of the expected trends in key economic and demographic indicators. Typically, these forecasts cover the state or the metro-Milwaukee area as a whole, so adjustments to reflect unique conditions in Grafton are sometimes necessary.

In general, Grafton seeks to match revenue sources with the economic and/or demographic variables that most directly affect year-to-year changes in those revenues. For example, a major revenue such as the Village's property taxes will reflect consensus forecasts related to real estate property values; whereas, revenue from building permits and plan reviews will be tied to the expected trends in development and re-development. By identifying and utilizing as many revenue-related variables as possible in our forecast, Grafton hopes to minimize the risks of overstating or understating revenues that could arise from using only a few variables to forecast all revenue sources.

The Village of Grafton's approach to forecasting in general is to apply a conservative philosophy that will produce its long-term goal of not overstating revenues nor understating expenditures. Grafton recognizes that economic forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, we attempt to identify as many factors as possible that may contribute to changes in revenues and expenditures. The Village's revenue and expenditure budgets are comprised of many unique elements that respond to a variety of external factors such as population growth, development, inflation, and interest rates. The following provides our assumptions relating to major revenues and expenditures.

For expenditures, increases are most closely linked to inflation (including general inflation, market adjustments to salaries, and changes in benefits costs). As with its revenue forecasts, Grafton considers consensus forecasts related to general inflation (particularly the trends projected). For certain expenditure categories (such as fuel and utilities), we apply inflation factors that reflect the historical rate of price inflation in these categories relative to overall inflation as identified and forecasted by the U.S. Department of Commerce. For utilities, the Village tracks the local utility (natural gas and electricity) company's (We Energies) rate increase or decrease application to the Wisconsin Public Service Commission to make projections.

The outlook is for local economic growth in Grafton is positive. Recently, Meijer, a large Midwest retailer completed construction of a 191,352 square foot retail store. Also, a 25,000 square foot multi-tenant commercial center with three national retail tenants opened. A \$22 million 14 acre senior housing campus began construction in September 2015 on the site of a former regional mall. Contingent upon approval of a State grant to assist with environmental remediation, a multiple phase downtown mixed use development on approximately 5 acre site with an estimated value of \$19 million will begin construction in early 2016.

The metropolitan and state economies are experiencing a limited economic expansion following the recession which started in 2008. However, the economies continue to be affected by the lack of new job growth and population growth, factors that have undoubtedly benefited Grafton, Milwaukee and the State of Wisconsin's economies in the past. Based upon projected economic growth, Governor Walker obtained approval for tax cuts. With the July 2015 passage of a State biennial budget for 2015 – 2017, stable State funding is expected of aid programs to municipalities via Shared Revenue, General Transportation Aids, Connecting Highway Payments, Computer Aids, and Expenditure Restraint Program.

On a federal level, the duration of the economic expansion may largely be a function of Federal Reserve policy of purchase of equities, low inflation, and the moderate rate of economic growth. A possibility exists that the Federal Reserve may increase interest rates in late 2015 due to reported stronger economic activity including lower unemployment rate.

Using estimates, this plan varies from year to year, reflecting the many changing factors which affect Village revenue estimates - state aids, user fees, value of new residential, commercial, and industrial construction, and so on.

B. Resource Allocation and Planning Policy

The allocation of available resources among various Village programs and services will vary from year to year in response to current community needs as well as long range goals. The

goals and Areas of Emphasis, in turn, are identified throughout each fiscal year by respective Board committees and commissions.

In conjunction with Village goals and Areas of Emphasis, the Village annually updates its 5 Year Capital Improvement Program (CIP) no later than July in anticipation of the upcoming budget development. The CIP incorporates the recommendations of the Equipment Replacement Program, Technology Plan, TID Nos. 2, 3, 4, and 5 Project Plans and the Street Improvement Program. Each of these 5-year programs or plans are annually review, updated if necessary, and approved. The Village Board gives priority to recommendations of the CIP in the deliberation of the Annual Budget.

In 2016, for example, the Village's goals and Areas of Emphasis highlight street projects, equipment, redevelopment, and infrastructure/development projects. Policies for accomplishing those allocations were discussed early in the budget process.

C. Capital Improvement Policy

Annually, the Village develops a 5 Year CIP. On May 18, 2015, the Village Board approved the 2016-2020 Capital Improvement Plan. Included in the Plan are capital expenditures and capital projects. They are defined as follows:

Capital Expenditures – Charges for the acquisition at the delivered price including transportation, costs of equipment, land, buildings, or improvements of land or buildings, fixtures, and other permanent improvements with a value in excess of \$500 and a useful life of life expectancy of at least 2 years.

Capital Improvement Projects – An undertaking that has a specific objective, can be easily distinguishable from other work being performed, has a definite beginning and end, does not occur annually, and has a total cost in excess of \$2,000.

Prior to the 1998 implementation of the State of Wisconsin's Expenditure Restraint Program (ERP), which financially rewards communities that approve General Fund budgets are at or below a cost-of-living factor, the Village included all Capital Expenditures (CE) and Capital Improvement Projects (CP) that were funded with non-borrowed revenue in the General Funds. The Capital Projects Fund was reserved for CE and CP that were funded by borrowed funds only. Due to the restraints association with the ERP, the Village has begun to budget CE and CP, which are funded by both borrowed and non-borrowed funds in the Capital Improvement Funds.

For the 2016 Executive Budget, CE and CP are included in the following Funds: General Fund, Park and Open Space Fund, Proprietary Fund, Capital Projects Fund, Equipment Fund, Fire Department Equipment Fund, and TID No. 3.

The approved list of CIP projects is included in the Appendix.

D. Executive Policy

Included each year in the Village Administrator's preliminary budget instructions to department heads is a statement of budget policy. This document presented at a Special Budget Session with Department Heads served as a guide for the upcoming fiscal year.

The executive policy statements include:

- Revenue and expenditure projections.

- Any proposed increase or reduction in overall spending.
- Program Goals and Areas of Emphasis.
- Other special instructions as needed to assist departments preparing their budget requests.

In short, the Village Administrator’s executive policy statements put a current year perspective on the budget preparation effort, while furnishing specific information to guide department heads in preparing their estimates.

The development of the 2016 budget was initiated in July 2015. The following is a partial list of instructions provided to the Department Heads for the development of the 2016:

- continue to identify projects or programs that can be cooperatively purchased or provided with neighboring communities
- leverage intergovernmental money to help offset Village cost for projects or programs that promote Village priority goals or objectives
- balance all Fund budgets, if necessary utilize applied fund balance or planned borrowed funds proceeds, and
- maximize the property tax levy increase as allowed by State property tax levy limit policy.

E. Program/Service Level Budget versus Line Item Budget

The Village of Grafton budget incorporates two distinct components: a program/service level budget and a line item budget. Please note that the budget is approved by the Village Board at the fund level with the exception of the General Fund, which is approved at the functional level – General Government, Public Safety, Public Works, etc.

Program/Service Level Budget Policy - Because the basic function of the Village government is to carry out programs and provide services that benefit citizens of the Village of Grafton, the Village budget itself is organized around programs and services provided by various Village departments.

At the beginning of each program budget is a statement or mission of each program. Benchmark Measurements have also been incorporated into the document in order to identify quantitative goals. This information is useful to budget managers in weighing proposed budget increases or reductions.

Responsibility for establishing program/service level budget policy each fiscal year rests jointly with the Village Board and the Village management staff.

Line Item Budget Policy - In the Village’s budget concept, a line item budget is an accounting and reporting tool used in monitoring and managing the adopted program/service level budget.

A line item budget organizes costs by type or class of expenditure and by source of revenue. Because its format adapts easily to an accounting/reporting financial system, the line item budget becomes a basic tool for year long financial reporting and budget management.

F. Fund Policy

In municipal budgeting, a “fund” is a self-balancing set of accounts with revenues earmarked for specific programs or purposes. The Village’s Program Budget consists of the following types of funds:

Governmental Funds:

General Fund: Account for the general activities of the Village. The principal sources are property taxes and state aids. All line and staff departments are financed through this fund with public works and public safety as the largest expenditures.

Special Revenue Funds: Account for proceeds from specific revenue sources that are restricted to expenditures for specific purposes (Woodlawn Cemetery Capital Fund, Revolving Loan Fund, Library Fund, Environmental Fund, Park and Recreational Facilities Fund, Park and Open Space Fund, Aquatics Fund, Recreation Fund, and Room Tax Fund). In 2013, the Fire Protection and Rescue Fund was initiated to reflect the impact of the November 6, 2012 binding referendum which resulted in the creation of a Village-operated Fire Department.

Debt Service Funds: Account for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs. In 2001, the Village created an Impact Fee Fund to account for revenue associated with new development to pay for debt issued on the Library Addition, the replacement Fire Station, the expansion of the Police Station, and the replacement Public Works facility. The Village continues to collect payments for the Police Station and Public Work facilities.

Fiduciary Fund: Account for activities in which the principal asset is permanently reserved (Woodlawn Cemetery Perpetual Care Fund).

Proprietary 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges (Water and Wastewater Utilities).

Capital Improvement Funds: Account for the financing and expenses associated with major equipment purchases, land purchases or infrastructure projects: Capital Projects Fund, Equipment Fund, TID No. 2 - Grafton Business Park, TID No. 3 - Downtown Redevelopment, TID No. 4 – South Commercial District, and TID No. 5 – Grafton Commons. During fiscal year 2013, a new fund - Fire Department Equipment Fund was created to account for the recently created Village-operated Fire Department's purchase of equipment and vehicles.

Throughout the upcoming fiscal year, the Village budget may be amended as needed to reflect new sources of revenue or changes in appropriations for any fund.

Any proposed change in a fund budget must be processed through the Village's financial accounting and reporting systems in accordance with existing Village policies and procedures.

G. Policy on Carry-Forward Balances

Monies appropriated but not expended within a given fiscal year are carried forward into the next fiscal year as either obligated or surplus revenue. Carry-forward procedures vary according to the fund in which the balance has accrued. For example:

General Fund - Monies are allocated each year in the Village budget to various departments, programs and activities. However, if those monies have not been expended at the end of each

fiscal year, they automatically revert to the General Fund's fund balance rather than being carried forward as a departmental surplus. Two exceptions to this rule are encumbered amounts (see section H) and uncommitted fund balances. At year end, if the Village's uncommitted fund balance is below the policy minimum, any unused contingency funds will be used to increase the Village's uncommitted fund balance.

Proprietary Fund - Revenues may accrue positive fund balances from year to year without loss of those monies to other funds or programs. At the end of each fiscal year, an Enterprise Fund balance is simply carried forward as surplus (Retained Earnings).

Special Revenue Funds and the Capital Improvement Funds are earmarked for specific programs or purposes. Balances in these funds are carried forward to the next fiscal year as unobligated surplus, unless monies are encumbered for a project already underway. In that case, the encumbrance amount is carried forward as obligated surplus revenue.

Donations, which are received and are not spent, are carried over from 1 year to another.

H. Policy on Encumbrances

An encumbrance is a method of obligating monies for future expenditures. Specifically, in Village budgeting, an encumbrance is used to keep unexpended monies from reverting back to their source at the end of each fiscal year.

In Grafton's budget policy, revenue monies may be encumbered by either of two methods:

1. A purchase order, approved and issued before the close of a fiscal year, will encumber monies to pay for goods and services ordered, upon delivery.
2. A contract for goods or services, drawn up and approved in accordance with Village contracting policy, may also encumber funds for payment in the fiscal year, provided the amount and source of funds have been clearly identified in the approving motion.

I. Chart of Account Policy

Expense categories used in the Village's Annual Program Budget and its supporting system are set down in a master list known as the Chart of Accounts. This list establishes uniform expenditures/cost titles and corresponding account numbers for use by all Village departments. In the Appendix, the budget includes the list and definition of the commonly used accounts.

The Chart of Accounts may be expanded or reduced. Requests for amendments to the Chart of Accounts must be initiated by a Department Head with Administrative Services Director consideration and final approval.

J. Contingency Policy

Budgeting for contingencies in each fiscal year is the Village Administrator's responsibility. Departmental budgets are prohibited from containing planned contingencies.

K. Cost Allocation Policy

For various reasons, the Village may wish to identify overhead or administrative costs associated (directly or indirectly) with a specific program or activity. The most common uses

of this information are in inter-departmental charging for shared personnel, equipment, and materials.

The process of identifying, computing, and assigning these costs to the appropriate fund or department is known as cost allocation. In Grafton government, this function is performed by the Administrative Services Department with the approval of the Village Administrator.

2. BUDGET PRESENTATION

Most funds are divided by cost centers. The cost center can be a fund, major program, department or other activity for which control of expenditures is considered desirable.

Each Fund budget is discussed in the Budget Message as well as in each fund section of the budget document. For each program budget, a summary sheet identifies the following information: **Department or Fund Purpose** explain the mission for the program budget or fund. **Department or Fund Description** identifies the background and purpose of the program budget or fund. **2016 Budget Highlights** lists the significant budgetary changes involving personnel or project cost in comparison to prior budgets (not 2015 Estimated unless otherwise noted). **Permanent Staffing** identifies, if any, the number of permanent staff by position. **Revenue** lists, if any, four fiscal years of revenues which are summarized by up to 11 revenue categories. **Expenditures** lists four fiscal years of budgets which are summarized by personal services, non-personal services, and capital outlay. **Areas of Emphasis** identifies which critical long-term strategic goal(s) the program or fund budget covers. **Goal** is the achievement toward which effort is directed to meet the needs of the Areas of Emphasis. **Objective** is the precise actions for accomplishment of a specific measurable, attainable task to meet the Goal(s). **Measurements** identifies quantifiable resource, workload, efficiency or effectiveness measurements of meeting the Objectives. (Please note that the benchmark measurements for 2015 Estimated are annualized estimates.) **Significant Capital Projects** lists the major 2016 capital projects.

Appendix

The Appendix contains several features, i.e. lists, tables and graphs, designed to aid understanding of the 2016 Annual Program and general Village information.

3. EXPLANATION OF BUDGETARY PROCESS

Although the administration of the existing budget is a constant process, the preparation of the next year's budget begins during June with the establishment of an Executive Policy of written goals and parameters through the Village Administrator's Office and the distribution of budget instructions by the Administrator.

The Village uses the following procedures when establishing budgetary data reflected in this document:

1. During May - June, a public strategic planning meeting is held whereby the Village Board and Management Team receive input and subsequently develop Areas of Emphasis and specific action items in order to provide a framework for the budget development.
2. In July, a Special Budget Session with Management Team is held at which time budget instructions for the ensuing year are given by the Village Administrator.

3. In late August – early September, the department heads submit to the Village Administrator proposed operating budgets for the fiscal year which commences the following January 1. The operating budget includes proposed expenditures and means of financing them.
4. In late September – early October, the Village Administrator submits the Executive Budget to the Village Board. Copies of the budget are made available for general public use at the Village Clerk's Office and at the U.S.S. Liberty Memorial Public Library.
5. In accordance with Wisconsin Statutes Section 65.90 (3), a Class 1 public notice is published at least 15 days prior to a public hearing typically held the last week of October or the first week of November (see Appendix).
6. A budget public meeting/workshop is held by the Village Board and Village staff in mid-October.
7. A public hearing is held the last week of October concerning the proposed budget.
8. During the month of November, the Village Board approves by resolution the proposed budget and sets the associated tax levy. Typically the Board approves the resolution at their first meeting in November - November 2.

2016 BUDGET SCHEDULE

DATE	ACTION	RESPONSIBILITY
March 2	5 Year Capital Improvement Plan instructions provided to Department Heads	Management Team
March 17	Strategic Plan Reviewed	Administrator Management Team
April 6	5 Year Capital Improvement Plan forwarded to Committees	Management Team
April 7	Final 5 Year Capital Improvement Plan submitted to Administrative Services Director	Management Team
April 20	Strategic Plan reviewed	Department Heads
May 4	Approval of Areas of Emphasis	Village Board
May 4	5 Year Capital Improvement Plan approved	Village Board
May 4	Approval of Long Term Financial Plan and Fiscal Policies	Village Board
July 7	Management Team meeting – instruction for development of 2016 Budget	Administrator
July 7 – August 24	Management Team develop budget recommendations	Administrator Management Team
August and September	Committee reviews of Department Heads recommendation	Administrator Management Team
August 25	Department Head's Recommended Budget submittal deadline to Administrator	Management Team
August 27 – October 3	Administrator's review of Department Head's budgets	Administrator Management Team
October 5	Publish Executive Budget and submit to Village Board	Administrator

October 5	Legal Notice for the Public Hearing	Administrator
October 14	Budget Workshop	Administrator Management Team Village Board
October 28	Public Hearing	Village Board
November 2	Adopt budget and establish tax levy	Village Board

Procedures for Amending Village Budgets

Following the adoption of the annual budget, budget transfers and supplemental appropriations are made based on the following:

Intra-Program Category Amendment

1. Since the annual Village budget is adopted at the functional level of expenditure (program categories, i.e., Public Works and Public Safety), the Village Administrator may authorize any intra-program line item change, i.e., utilities, local auto expense, supplies, etc. up to \$2,000.

Inter-Program Category or Inter-Fund Amendment

1. At the committee of jurisdiction, the Department Head, along with the Administrator's approval, identifies the need to transfer funds and make a recommendation of specific amounts and accounts involved in the transfer. The committee recommends to the Village Board for or against the transfer.
2. Following the recommendation of the committee, the Village Board, in accordance with Wisconsin Statutes Section 65.90 (5) (a), must approve of the transfer by the two-thirds vote of the Board's entire membership. Subsequently, the Village Clerk must publish a Class 1 notice within 10 days of the action taken.
3. Similarly, all transfers of funds from the contingency account must be approved by two-thirds of the Boards' membership (per Wisconsin Statutes Section 65.90 (5)(a)).
4. Failure to obtain a two-third approval vote by the Village Board on the transfer of funds results in the Department Head's inability to spend the additional funds for the recommended purpose.

Explanations of Budgetary Basis

Basis of budgeting and accounting refers to the point in time at which revenues and expenditures are recognized in the accounts and reported in the financial statements.

The **Governmental Funds (General, Special Revenue, Debt Service), Fiduciary Fund, and Capital Improvement Funds** are budgeted and accounted for using the *modified accrual basis of accounting*. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are recorded in the year levied as receivable and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being

provided. Property taxes are levied and billed in December; payment in full or the first installment payment due date is January 31; the second installment payment due date is March 31, and the third installment payment due date is May 31.

Intergovernmental aids and grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the Village is entitled to the aids.

Special assessments are recorded as revenues when collected. Annual installments due in future years are reflected as receivables and deferred revenues.

Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Financing reporting for the **Proprietary Funds** is on the *accrual basis of accounting*. Revenues such as user fees are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred. Depreciation is budgeted as a separate capital and debt activity and is identified as part of the balance sheet for presentation.