



POLICY 2026-04
(USE OF ARTIFICIAL INTELLIGENCE (AI) POLICY)

PURPOSE: The purpose of this policy is to establish procedures and guidelines for AI systems used by, or on behalf of, the Village, and enables the Village to use AI systems for the benefit of the community while safeguarding against potential harms.

A. PURPOSE AND APPLICABILITY

1. This Artificial Intelligence ("AI") Policy ("Policy") establishes procedures and guidelines for AI systems used by, or on behalf of, the Village of Hobart ("Village"). This Policy enables the Village to use AI systems for the benefit of the community while safeguarding against potential harms. The primary objectives of the Policy are to:

- (a) Provide guidance that is clear, easy to follow, and supports effective decision-making regarding usage of the Village's AI systems or leveraging AI systems to provide services to the Village and its residents.
- (b) Manage risk to information security and privacy related to the use of AI systems.
- (c) Define how AI systems may be used for legitimate Village purposes in accordance with applicable local, state, and federal laws, and existing Village policies.
- (d) Define prohibited uses of AI systems.

2. This Policy applies to all Village elected officials, employees, contractors, consultants, interns, and volunteers who may be using the AI systems or who may be leveraging AI systems to provide services to the Village. This Policy applies to all AI systems deployed by the Village.

3. This Policy shall not apply to the Hobart-Lawrence Police Department, which will have its own AI policy.

B. DEFINITIONS

The following definitions shall apply to the Policy.

- (a) "AI system" shall be defined as any system, software, sensor, or process that automatically generates outputs in whole or in part using Artificial Intelligence.
- (b) "Artificial Intelligence" or "AI" shall be defined as a technology that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments. Artificial intelligence systems use machine- and human-based inputs to perceive

real and virtual environments; abstract such perceptions into models through analysis in an automated manner; and use model inference to formulate options for information or action.

(c) "AI Hallucinations" shall be defined as a response generated by AI that includes incorrect, fictional, fabricated, distorted, or misleading information that is presented as if it were fact.

(d) "Chatbots" shall be defined as computer programs that uses AI to simulate and process human conversation, allowing simplified human interaction with computers or similar technology.

(e) "Confidential Information" shall be defined as any information deemed by the Village to be confidential. The following is a non-exhaustive list of information that is considered confidential:

1. Social Security Numbers (SSN) or Personal Information
2. Customer data that is not publicly available
3. Village financial data that is not publicly available
4. Network diagrams and security configurations
5. Attorney-Client privileged documents or information
6. Documents or materials exempted under Wisconsin Public Records Law
7. Passwords/passphrases
8. Bank account information and routing numbers
9. Payroll information
10. Credit card information
11. Any confidential data held for a third party

(f) "Generative AI" shall be defined as Generative Artificial Intelligence, a class of computer software and systems, or functionality within systems, that use large language models, algorithms, deep-learning, and machine learning models, and are capable of generating new content, including but not limited to text, images, video, and audio, based on patterns and structures of input data. These also include systems capable of ingesting input and translating that input into another form, such as text-to-code systems. Generative AI can be used in stand-alone applications or incorporated into other applications.

(g) "IT" shall be defined as the Village's provider of Information Technology Services.

(h) "Personal Information" shall be defined as follows:

1. Information that can be used to distinguish or trace an individual's identity, specifically, an individual's first name or first initial and last name in combination with one or more of the following elements

2. A Social Security Number (SSN); a driver license number or state identification card issued by a state Department of Transportation

3. A passport number or other identification number issued by the U. S. Department of State

4. A financial account number, credit card number, or debit card number in combination with any required security code or password that would permit access to a financial account; or any biometric records, such as an image of a fingerprint, retina or iris, that are used to authenticate an individual's identity.

(i) "Village's Legal Department" shall be defined as the Village Attorney or their designee of the law firm of the Village Attorney. The use of legal counsel outside of the regular Village Attorney or legal firm shall be permitted under this definition.

(i) "Wisconsin Public Records and Open Meetings Law" shall be defined as Wis. Stat. §§ 19.31–19.39.

C. POLICY

1. It is the policy of the Village to leverage AI as a productive tool while also ensuring the Village continues to meet its legal obligations in a responsible and ethical manner. When not managed carefully, the use of AI technologies can pose risks such as potential copyright infringement, breach of confidentiality, the circulation of inaccurate information, and unintentional bias. The use of AI at the Village should never introduce undue risk to the Village or its constituents. Rather, the use of AI should be focused on improving business efficiencies and enhancing the Village's ability to fulfill its mission, achieve the Village Board's goals and priorities and serve the residents of the Village efficiently and ethically.

2. The Village's use of AI will adhere to the following:

(a) The use of any AI systems, tools, or Chatbots must be approved by the Village Administrator and IT, who will maintain a list of approved AI systems and make that list available to staff.

(b) The use of embedded AI features within other approved applications or software is allowed provided:

1. Those features do not violate provisions of this policy; and

2. IT has not placed limitations or conditions related to a specific application's AI features in the approved applications list. The Village's Legal Department and IT must review and approve contracts with service providers that utilize AI.

(c) Prior to implementing any new use of an existing AI System or proposal for a new AI System, any person or department covered by this policy must complete the Checklist for AI form (Exhibit A) and submit said checklist to the Village's Legal Department and IT provider for evaluation and approval. Previously approved uses do not require additional authorization.

(d) When using AI systems, Village employees, elected officials and staff must use a Village-issued account, or an account created using a Village-assigned email address.

(e) When substantive images or videos created by Generative AI systems are used in an official Village capacity (for example, images that depict real or plausible Village events, people, facilities, or policies), staff must: (1) attribute them to the Generative AI system used; and (2) include a human-in-the-loop assertion indicating that the content was reviewed by appropriate Village representatives. Wherever feasible, attributions and citations to the Village should be embedded in the image or video (e.g., via digital watermark). For purely decorative or generic imagery (such as abstract backgrounds or icons that do not depict real Village people, places, or events), embedded attributions are recommended but not required, provided no copyrighted or sensitive material is replicated. Staff using a Generative AI system must have expertise in the subject matter for which the system is used or must consult with someone who has such expertise. Generative AI systems are not a substitute for expertise.

(f) All content produced by Generative AI or Chatbots (writing, datasets, graphs, pictures, etc.) must be thoroughly reviewed by an individual with expertise to evaluate such content for accuracy and to ensure the content is proofread and edited. Users must also be diligent in screening for AI Hallucinations in generated work product. Users of generative AI will be responsible for errors in work, the content produced and any unintended consequences from use of AI-derived work product that is false, inaccurate, or misleading as if it were generated or produced by the user themselves.

(g) To the extent feasible, when using a given AI system or tool, users should opt out of any voluntary data training scheme that allows the AI system provider to use Village provided data as training data to update its system. Users should also elect zero-data retention such that any input provided is not stored by the AI system provider.

(h) All uses of AI systems must comply with any other applicable Village policies and must adhere to the AI system's terms of use.

(i) In the event of an Electronic Incident involving the use of an AI system, the Village will contact IT immediately.

3. Special Considerations in use of AI:

(a) Confidentiality: Users of AI Services or Systems should be aware that there may not be an expectation of confidentiality for information entered into AI platforms, systems, or tools and no practical way to limit its dissemination thereafter when using publicly available AI services. By default, individuals shall only use AI systems with information that is or would otherwise be available to the public, such as content on the Village website, adopted ordinances, policies, and meeting minutes, and other information that could lawfully be released under Wisconsin Public Records Law. Exceptions: (1) Internal, non-confidential information (for example, drafts of internal procedures that contain no Personal Information or Confidential Information) may be used with an AI system if that system has been explicitly approved for such use by IT and the Village's Legal Department. (2) Personal Information or Confidential Information, as defined in this policy, may only be used with an AI system where: (a) the system has been specifically vetted and approved by IT and the Village's Legal Department for that category of data; (b) appropriate technical and contractual safeguards are in place; and (c) IT and the Village's Legal Department have both issued written guidance describing the permitted use cases and limitations for that system.

(b) Public Records: Staff should be aware that use of AI systems may result in the creation of a public record that must be retained under Wisconsin's Public Records and Meetings Laws. For example, both Ring Central and Microsoft Teams have AI Assistants that can transcribe your phone call or take minutes of your meeting. If transcription capabilities of any software are turned on by

staff, it should be recognized that these transcriptions and minutes are public records and must be retained. As is the case with e-mail or other forms of communication that are subject to Wisconsin Public Records and Meetings law, staff should ensure that they are comfortable with the entire contents of the communication being recorded by the AI system being released to the public. Once the AI system begins documenting your communication, that entire communication may be subject to a public records request and public disclosure, even if the communication is informal or does not pertain to official Village business.

(c) Intellectual Property: Content generated by AI systems may include copyrighted material. AI systems may be “trained” using data (text, images, etc.) that has been sourced from the internet without regard to copyright or licensing terms. It is extremely difficult to determine what content was used to train an AI system, and difficult to verify whether AI-generated content is wholly original or only a slight stylization of existing copyrighted material. Nevertheless, staff are required to perform due diligence to ensure that no copyrighted material is published by the Village without obtaining proper rights. Staff should also refrain from needlessly entering or uploading creative works protected by Village copyright into AI systems (e.g. photographs, graphics, etc.).

(d) Attribution and Accountability: Audiences should know when AI-generated content is published with little or no human review. When Generative AI is used to create content that is published substantially as produced by the AI system (for example, website text, reports, newsletters, or brochures that receive only minimal human changes), the content should be clearly labeled as having been produced using Generative AI tools. When Generative AI is used only to draft or brainstorm a first version of letters, emails, or other communications that are then meaningfully reviewed, edited, and approved by Village staff, those communications are considered human-authored and do not by themselves require explicit AI labeling. Minor language editing, formatting, or grammar assistance likewise does not require explicit AI labeling.

(e) Reduction of Harm & Bias: AI systems can reflect the cultural, economic and social biases of the source materials used for training the AI, and the algorithms used to parse and process that content can be a source of bias as well. Staff should carefully review any content generated by AI to ensure that unintended or undesirable instances of bias, or even potentially offensive or harmful material, are changed or removed.

(f) Data Privacy: Staff must not submit sensitive, confidential or regulated data, including Personal Information or Confidential Information as defined in this policy, about members of the public to a generative AI system, unless that system has been explicitly approved by IT and the Village’s Legal Department for use with such data in accordance with Section C(3)(a).

3. Prohibited uses of AI systems include:

(a) Using any AI system not previously approved by the Village’s IT provider.

(b) Entering or uploading any Confidential Information, unless the AI system has been explicitly approved for use with Confidential Information by IT and the Village’s Legal Department. In the event of such an approval, both will provide guidance and limitations about the appropriate use (e.g. Anonymizing data before inputting it into an AI system may be an acceptable solution when necessary to carry out a critical project.).

(c) Using personal Generative AI system accounts to conduct Village business.

- (d) Storing anything related to Village business within a Generative AI system that was created for personal use or storing personal data in a Generative AI system that was created for Village business purposes.
- (e) Creating images with likenesses of Village staff or volunteers or members of the public without permission or approval from the Village Administrator or their designee.
- (f) Using AI systems for any activities that are harmful, biased, discriminatory, deceptive, illegal, or in violation of Village policies.
- (g) Using AI systems for employment-related decisions, including for hiring, firing, or promotion.
- (h) Performing real-time and covert biometric identification.
- (i) Performing emotion analysis, or the use of computer vision techniques to classify human facial and body movements into certain emotions or sentiment (e.g., positive, negative, neutral, happy, angry, nervous).
- (j) Making fully automated decisions that do not require any meaningful human oversight but substantially impact individuals.
- (k) Using social scoring, or the use of algorithmic systems to track and classify individuals based on their behaviors, socioeconomic status, or personal characteristics.
- (l) Conducting cognitive behavioral manipulation of people or specific vulnerable groups.
- (m) Using fully autonomous weapons systems.

4. If Village staff become aware of an instance where an AI system has caused harm, staff must report the instance to their supervisor and IT immediately.

5. Nothing in this section prohibits the Village from using AI systems to perform passive, aggregate analysis of content (such as summarizing overall sentiment in anonymous survey comments or flagging potentially threatening, harassing, or hateful comments on public forums) for the purpose of improving services or protecting staff and residents, provided that:

- (a) No Confidential Information or Personal Information, as defined in this policy, is used in a way that identifies specific individuals; and
- (b) AI outputs are used only as a filtering tool, with all follow-up review and decisions made by Village staff; and
- (c) AI outputs are not used to create profiles, "scores," or rankings of individual residents, employees, or groups.

6. Training: The Village will provide periodic training or guidance to staff on the safe and appropriate use of AI systems, including privacy, public records, bias, and the requirements of this policy. Staff are expected to complete assigned training and to seek clarification from the Village Administrator or IT when unsure how the policy applies to a particular use.

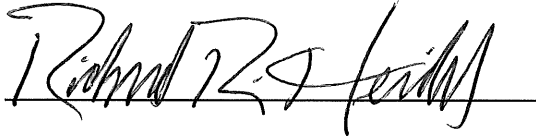
7. Employee Responsibility: Personnel utilizing AI will be provided with a copy of this policy, with an acknowledgement that he or she has received and read said policy. Any violation of this policy shall result in disciplinary action as defined and prescribed by the Village Employee Manual.

D. REVIEW OF POLICY AND PROCEDURES

This policy will be reviewed every two (2) years or as state and federal regulations are revised and necessitate change in the policy or procedures.

This policy shall take effect immediately.

This policy has been approved by the Board of Trustees of the Village of Hobart, Brown County, Wisconsin, at a regular meeting of the Board, held on April 21, 2026.



Richard Heidel, President, Hobart Village Board

Attest:



Lisa Vanden Heuvel, Village Clerk



Aaron Kramer, Village Administrator

EXHIBIT A
CHECKLIST FOR AI USE

This checklist must be completed each time before an AI product is implemented. Attach any technical information that answers the questions in the checklist.

Date:

Department:

Form Completed By:

Department Head Signature:

1. PURPOSE & BENEFITS

- a. What does this AI tool do?

- b. How will it help staff and the community?

- c. Does it follow Village AI principles (fairness, security, transparency)?

2. DATA & PRIVACY

- a. What kind of data does the AI use?

- b. Does it connect to other Village systems?

- c. Does it handle sensitive or personal data?

3. FAIRNESS & ETHICS

- a. Has the AI been tested for fairness?

- b. Does it work equally well for all people?

- c. Could it negatively impact the community?

4. SECURITY & OVERSIGHT

- a. Is the data protected from hacking or misuse?

- b. Who is responsible for monitoring and managing the AI system?

- c. Can humans override AI decisions if needed?

5. TRAINING & AWARENESS

- a. Who needs to be informed that AI was used?

- b. Will staff be trained on how to use it properly?

6. PERFORMANCE & MAINTENANCE

- a. How will we check if AI is working correctly?

- b. Is there a plan to fix issues or update the system?

7. BACKUP PLAN

- a. What happens if the AI system fails or makes a mistake?

- b. Who will handle problems or errors?

8. FUTURE GROWTH

- a. Can this AI system handle more users or data in the future?

- b. Are there plans to improve or upgrade the system over time?

Please submit the completed form to the Village Administrator

IT Provider Use:

Date Received: _____

Approved: Yes _____ No: _____

Approved By: _____

Legal Department

Date Sent to Legal Dept.: _____

Sent By: _____

Legal Department Use: Date Received: _____

Reviewed By: _____

Legal final approval by: _____

On this date: _____