

# STOUGHTON UTILITIES COMMITTEE REGULAR MEETING MINUTES

Monday, September 30, 2024 – 5:30 p.m.

Stoughton, WI

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**Location:** Edmund T. Malinowski Board Room, Stoughton Utilities Administration Office  
600 South Fourth Street, Stoughton, Wisconsin  
Optional Virtual Participation: GoToMeeting ID 270-173--021

**Members Present:** Citizen Member Carl Chenoweth, Citizen Member David Erdman (Chair), Alderperson Greg Jensen, Alderperson Regina Hirsch, Alderperson Daniel Payton, Mayor Tim Swadley

**Excused:** Citizen Member Dustin Thoren (Vice-Chair)

**Absent:** None

**Others Present:** Stoughton Utilities Assistant Director Brian Hoops, Stoughton Utilities Finance Manager Shannon Statz, Stoughton Utilities Director Jill Weiss

**Call to Order:** Chairperson Erdman called the regular Stoughton Utilities Committee Meeting to order at 5:30 p.m. Chenoweth, Erdman, Hirsch, Jensen, and Payton were present in person. Swadley attended virtually.

**Verification of Quorum:** The chair verified that a quorum of the committee membership was present.

**Certification of Compliance with Open Meetings Law:** Weiss certified that the meeting had been properly noticed in compliance with open meetings law.

**Public Comments:** There were no public comments.

**Utilities Committee Consent Agenda:** Stoughton Utilities staff presented and discussed the Stoughton Utilities Committee consent agenda items. A brief staffing update was provided, and staff welcomed journeyman lineworker Collin Cadotte, water operator Dustin Kloos, and apprentice lineworker Paul Schmeling to Stoughton Utilities. Discussion followed.

Motion by Chenoweth, the motion seconded by Jensen, to approve the following consent agenda items as presented:

- a. Minutes of the August 19, 2024 Regular Utilities Committee Meeting
- b. Stoughton Utilities Payments Due List Report
- c. Stoughton Utilities Financial Summary
- d. Stoughton Utilities Statistical Report
- e. Stoughton Utilities Activities Report
- f. Communications

The motion carried unanimously 6 to 0.

**Status of the Utilities Committee recommendation(s) to the Stoughton Common Council:** Stoughton Utilities staff presented and discussed the following items from the Stoughton Utilities Committee that were recently approved and/or placed on file by the Stoughton Common Council:

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## Consent Agenda:

1. Minutes of the June 17, 2024 Regular Utilities Committee Meeting
2. Stoughton Utilities Payments Due List Report
3. Stoughton Utilities Quarter 2 2024 Investment Summary
4. Stoughton Utilities Financial Summaries
5. Stoughton Utilities Statistical Report
6. Stoughton Utilities Activities Reports

## Business:

1. Aqueous Film-Forming Foam (AFFF) Product Liability Litigation (MDL 2873)

Discussion followed.

**Stoughton Utilities Facilities Needs Assessment:** Stoughton Utilities staff informed the committee that at its May 20, 2024 meeting, the committee began discussions with staff regarding utility facility needs, potential future uses for the current Stoughton Utilities Administration Building, and the ownership of land adjacent to the Stoughton Utilities West Substation. The committee continued this discussion, with the committee expressing considerable interest in continuing to explore a new facility to be built on land currently owned by the utility.

Staff presented information about several other communities that have either recently completed or are currently undergoing the construction of new facilities for their municipal utilities, including approximate sizes, completion years, and construction costs. These facilities ranged from 29,000 sq. ft. to 89,000 sq. ft., were constructed between 2018 and 2024, and had project costs ranging from \$8.9 million to \$22.5 million.

Staff shared that the proposed draft five-year capital improvement plan included \$22 million in 2026 for construction of a new facility, and that staff believed this to be a conservative estimate for preliminary budgeting and rate forecasting purposes. Chenoweth recommended that \$500,000 be deducted from the facility construction costs in 2026 and be moved to 2025 for building design and engineering expenses.

Staff informed the committee that an in-depth discussion on the topic related to costs, timelines, and potential rate impacts will occur during the preview of the 2025 operating budget and presentation and approval of the five-year capital improvement plan during future agenda items.

**Preview of the Stoughton Utilities Proposed 2024 Budget:** Stoughton Utilities staff presented and discussed preliminary projections that will be used to create the proposed 2025 electric, water, and wastewater budgets. The committee was presented with two budget pictures: one that assumes the construction of a new utility facility in 2026, and a second that did not include a new building within the next five years and where the Stoughton Utilities Administration Building would continue to house utility operations. Staff explained that all rate and debt projections assume a new build in 2026.

Staff referred to the earlier discussion and reminded the committee that at this time there are many unknowns surrounding the current facility and if/when the utility may need to relocate. It was explained that an amount of \$22 million has been added to reflect the potential cost of a new building in 2026, and again underscored that this was a conservative estimate for budgeting purposes that was based on construction costs for a facility in a nearby community. Discussion followed.

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Staff explained that the 2025 budget assumes a reduction in sales in all three utilities. The forecasts used for preparation of the budget suggest that while the utility may see slight increases in consumption in 2024, trends indicate that all three utilities should expect continued conservation. Staff explained there are several large customers that anticipate reducing their usage through the installation of large solar arrays and significant water conservation efforts, and accordingly preparing for a reduction in total usage seems appropriate. Discussion followed, including committee members commenting on the community's growth and conservation efforts and the impacts both have on the utility.

Staff explained that at the time the 2024 water utility budget was approved, the rate of return authorized by the Public Service Commission of Wisconsin (PSCW) was set at 4.9%. Since that time, the PSCW has increased the standard authorized rate of return to 6.2%. Staff explained the effects this change has on rate projections, and highlighted that the projected water utility rate increases over the next five years assume a 6.2% authorized rate of return. Discussion followed.

Staff then moved to a discussion regarding utility staff wages and shared that the draft budget includes a 3% across-the-board increase for all employees in 2025. It was explained that earlier drafts of the budget included a continuation of the market-based compensation reviews that were approved in the 2024 operating budget, but was later adjusted to include the across-the-board approach that matched what is planned to be proposed in the 2025 City of Stoughton operating budget. Discussion followed on the topic of wages. Staff informed the committee that they have received feedback from their utility management peers in nearby communities that wage increases of 3-4% are planned to be incorporated into their budgets. Additional discussion followed.

Staff presented early details of a proposal to engage a third-party firm to conduct a review of the previously approved market-based wage review methodology and wage structure and recommend a utility compensation policy that will be approved by the Utilities and Personnel Committees and Common Council to guide future market-based wage reviews. Staff explained the goal was to have these put in place in the first half of 2025 and to receive the first third-party wage recommendations prior to the start of the preparation of the draft 2026 operating budget. Staff further explained that it is ideal for market-based wage reviews and adjustments to occur annually, as there is significant competition in the local utility labor market where staff could easily change employers with the need for relocation, and that ensuring the utility pays is paying an appropriate wage comparable with the market will reduce the pressures of losing staff while also allowing for employee retention and recruitment.

Discussion followed, including topics such as employee morale and equity. Staff emphasized that market adjustments will not typically be equal across the board, as there are always different demands for different positions in the regional market, but these demands shift over time and an appropriate market-based wage review will help reduce the likelihood of disgruntled employees. Staff discussed how fairness and inequity can be addressed through market-based wage adjustments by avoiding concerns that some positions are overpaid while others are underpaid, and that it is important that an employee can trust the wage review process and verify that their wage is competitive with the regional market if they happen to go and consider similar employment elsewhere. It was also discussed that education and messaging is important, because while two positions in different divisions within the utility or departments within the city may have similar job titles, a comparison may not be accurate due to additional details contained within the full list of job duties, responsibilities, and required training and education. Discussion followed.

Staff presented the anticipated future rate increases and debt issuances for each utility and informed the committee that they are the result of a continued aggressive water and sewer main replacement program and construction of a new facility. Current wage projections indicate a total increase of \$49.50 per month at the end

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of a five-year period for the average residential customer living within the City of Stoughton. Staff shared that these increases are in line with increases that have been and continue to be implemented across Dane County, and presented a rate comparison of current water and wastewater rates of Stoughton and its surrounding communities. Within the rate comparison, staff highlighted where the utility's current and next-year projected rates fell in comparison, demonstrating that the proposed rates remain competitive. Discussion followed.

Staff further underscored the utility's commitment to reviewing cost-saving opportunities to limit rate impacts to customers wherever possible, including by not adding new positions, allowing vacant positions to remain unfilled, reducing spending wherever possible, and thinking outside the box to utilize existing resources and technologies more efficiently. Discussion followed, and the committee was favorable to the proposed budget, including the forecasted consistent increases in rates.

Discussion occurred regarding transparency about the rates and maintaining the ongoing customer communications regarding rates. Energy assistance funding opportunities was also discussed, and staff informed the committee that the utility has increased its communications on the topic throughout 2024 after it was learned that less than half of eligible customers had applied for assistance in prior years. Discussion followed.

Staff informed the committee that following the meeting the budget calculations will be finalized and drafted into a proposed Stoughton Utilities 2025 operating budget that will be presented to the committee at their October meeting for review, approval, and recommendation to the Stoughton Common Council.

## **Stoughton Utilities Proposed Five Year (2024 – 2028) Capital Improvement Projects (CIP) Program:**

Stoughton Utilities staff presented and discussed the proposed five-year (2025-2029) Capital Improvement Projects (CIP) program. Staff informed the committee that the CIP was developed by reviewing system engineering studies, regulatory agency requirements, potential joint projects with other Stoughton Departments and the Wisconsin Department of Transportation to yield economy of scale savings, and development-lead projects. Significant projects, including water and sanitary sewer main replacement projects, were highlighted. Discussion followed.

Jenson left the meeting at 7:26 p.m. It was confirmed that a quorum of the committee was still in attendance. Discussion continued.

Chenoweth renewed his earlier recommendation that \$500,000 be deducted from the facility construction costs in 2026 and added to 2025 for facility design and engineering expenses.

Motion by Chenoweth, the motion seconded by Hirsch, to approve the Stoughton Utilities five-year (2025-2029) Capital Improvement Projects (CIP) Plan with \$500,000 added to 2025 for facility design and engineering expenses and the 2026 facility construction reduced to \$21.5 million, and recommend approval of the modified document to the Stoughton Common Council at their October 22, 2024 and November 5, 2024 meetings. The motion carried unanimously 5 to 0.

## **Wastewater Treatment Facility and Sanitary Sewer Collection System 2022 Compliance Maintenance**

**Annual Report (CMAR): WDNR Response:** Stoughton Utilities staff presented an update to our annual CMAR filing, which was approved by the Utilities Committee and Common Council in May and filed with the Wisconsin Department of Natural Resources (WDNR) in June. The WDNR has received and approved our filing, providing favorable comments, and no further action is needed until the 2024 CMAR filing that will occur in June 2025.

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**Utilities Committee Future Agenda Items:** Stoughton Utilities staff informed the committee that staff is currently working to finalize the Stoughton Utilities 2025 operating budget which is planned for presentation to the committee and approval in October, and a review of the previously budgeted 2024 simplified water rate case filing. A summary of recent customer satisfaction survey results will also be presented at an upcoming meeting. Discussion followed.

**Adjournment:** Being no further business before the committee, motion by Chenoweth, seconded by Hirsch, to adjourn the meeting at 7:48 p.m. The motion carried unanimously 5 to 0.

Respectfully submitted,

Brian R. Hoops

Assistant Stoughton Utilities Director