

## **FINANCE COMMITTEE**

Date and Time: Wednesday, August 14, 2024, at 5:00 p.m., Council Chambers

Finance Committee Members Present: Michael Martens (C), Gary Gisselman (VC), Becky McElhaney,

Terry Kilian, Vicki Tierney

Wausau Water Works Commission Members Present: Doug Diny (President) Sarah Watson, Jim Force (left at 6:10 p.m.), Joe Gehin

Wausau Water Works Commission Members Excused: John Robinson

Others Present: MaryAnne Groat, Anne Jacobson, Jeremy Kopp, Jared Thompson, Eric Lindman, Scott Boers, Kody Hart

Noting the presence of a quorum Chairperson Martens called the meeting to order at 5:00 p.m.

Noting the presence of a quorum President Diny called the meeting to order at 5:00 p.m.

## **JOINT AGENDA ITEM FOR CONSIDERATION WITH THE WAUSAU WATER WORKS COMMISSION – Presentation by Ehlers regarding the utility financial and Payment in Lieu of Tax (PILOT).**

*The President allowed public comment.*

- 1) Orlando Alfonso, 1015 Brown Street – spoke in opposition of the PILOT program.

Brian Roemer, Senior Municipal Advisor with Ehlers, presented Water & Sewer Rate Study Phase 1: Long-Range Cash Flow Analysis. The presentation provided education on what factors the Wisconsin Public Service Commission consider when setting water rates including operating and maintenance expenses and taxes, depreciation, and rate of return. The window of opportunity to adjust rates for a simplified and conventional rate case study were outlined. Historical data on rate performance, financial indicators, and capital improvement projects for the utility was presented. The PILOT was explained in addition to how it applies to the utility. Projections on reducing the PILOT and the impact on water and sewer rates were outlined.

Force questioned what the percentage numbers represented on the projected PSC math with reducing the PILOT. It was stated those numbers represents an estimated rate if a rate case study was conducted given all things equal. Force stated that with no reduction in PILOT, a rate case study would increase rates in 2025.

Diny questioned the rate of return adjustment and how that can be known. It was stated that every mid-February the PSC comes out with the annual rate of return which is stated on a public docket and that the PSC would change the rate of return based on the status of the bond market.

Gehin stated for clarification that the water rate case could not be implemented until the new assets were up and running were as on the sewer side the Common Council did a step to prevent major increases in rate changes. It was stated the current PSC staff are more robotic in terms of how rate cases are handled, and it was explained how a step increase could be introduced. Gehin questioned if the new water plant assets were built into the current rate structure. It was stated that the new assets were accounted for as an advance case in 2024 in the current rate structure. Gehin further clarified there was a 17% water loss in which 15% was the standard. It was stated the goal was a water loss rate under 10%.

Diny questioned how the setting of the PILOT would impact rate of return adjustments. It was recommended, in a small way, to consider the impact of reducing the PILOT in terms of the general fund.

Kilian questioned the effect of reducing the PILOT on the general fund. It was stated this was a 2025 budget discussion and it was possible to incorporate that into the budget in regard to revenue verses expenses. It was stated there are a number of unfunded positions in the future that will need to be financed out of the operating budget.

Tierney questioned the impact of reducing the water loss rate. It was stated the impact would be in the hundreds of thousands of dollars. Tierney questioned if a reduction in water loss rates could recoup the PILOT. It was stated it would depend on the PCS calculation of the water rates.

Roemer continued to present 2024 Water and Sewer Rate Study Phase 1 Sewer Utility. Historical data on rate performance and financial indicators in addition to future projections on finances for the sewer utility was presented. Initial considerations and recommendations were provided.

*Force was absent for the rest of the meeting.*

Gisselman questioned the timeline for these considerations. It was stated a draft budget would show the impact of a reduction in the PILOT on the general fund and any decision would come in the form of a resolution of the budget.

Motion by Gehin, seconded by Watson, to adjourn the Wausau Water Works Commission. Motion carried.

**Minutes of the previous meeting (07/23/24).**

Motion by Gisselman, seconded by McElhaney, to approve. Motion carried 5-0

**Discussion and possible action approving budget modification for the new mechanical CPR devices for the Wausau Fire Department.**

Gisselman questioned the allocation to the Fire Department for the hiring of additional firefighters. It was further questioned if this budget modification was coming from the previously allocated ARPA funding to the Fire Department for the hiring of additional firefighters. It was stated the positions have not been filled yet and the ones that have been filled were from a grant allocation making funds available.

Martens questioned the status of the current devices. It was stated the current devices are three years old.

Tierney questioned what had changed in the last few years warranting the purchase of new equipment. It was stated the new devices are easier to deploy in limited spaces and discriminates less of various body sizes of patients.

Kilian questioned the distinction between the body sizes of patients. It was stated it was how big the band is that goes around the chest which this device can size for itself.

Martens questioned how many times devices are used on an annual basis. It was stated the devices were employed approximately 50 times in the last year.

Motion by McElhaney, seconded by Kilian, to approve the budget modification. Motion carried 5-0.

**Discussion and possible action regarding ARPA funding requests and related budget modification for water meter purchases for Wausau Water Works.**

McElhaney questioned how many meters needed to be replaced. It was stated 7,074 meters needed replacement. It was further questioned if residents had pushback against changing meters. McElhaney stated education was needed to ensure residents were getting meters changed for the share of water rates to remain fair among users. McElhaney questioned the undertaking of replacement in terms of timing and staffing. It was stated there would be three full-time positions dedicated to the project to change over 20-24 meters a day.

Tierney questioned if there were repercussions to residents not allowing access to properties to have the meters changed. It was stated the utility could shut off water for the property due to noncompliance and that is highly regulated by the Wisconsin Public Service Commission.

Gisselman questioned if the meter replacements were annually budgeted. It was stated there is an annual allocation but there was no revenue generated to pay for the meter change overs and cash reserves had been depleted due to ongoing utility projects. Gisselman further questioned if all the new meters would be installed in 2025. It was stated this would be a priority as each meter replaced will increase revenue to offset the utility.

Tierney questioned if the funds allocated would replace all meters that need to be changed. It was stated this allocation will be approximately \$400,000 short to replace all meters. Tierney stated concerns of allocating funds in 2025 when the funds will not be spent within the year. It was stated each meter replaced will save more money having a cumulative impact with the goal to fund the total replacement project.

Kilian questioned if moving this forward would use up the remainder of the funds for ARPA which may go to funding the solar array project. It was stated that was correct and other funds could be allocated for either project.

Martens stated this agenda item was more of discussion and requested that this item be ranked and scored for ARPA funding for consideration at the next meeting.

Gisselman questioned if these funds needed for the complete replace meter project should be borrowed as to save the ARPA funding for the solar array.

**Discussion and possible action approving budget modification from fund balance for water meter purchases of \$1,000,000 for Wausau Water Works.**

Tierney stated this could be revisited to see what happens with the ARPA allocation to the solar array project and funding for the rest of the complete meter replacement project. It was further stated the committee should try avoiding the need to discuss the funding for this project multiple times.

McElhaney stated support for the budget modification as the funds are available now and before borrowing is considered.

Martens stated support for allocating for a project in one fall swoop and stated support for utilizing fund balance to drive down borrowing costs.

Motion by McElhaney, seconded by Tierney, to approve the budget modification. Motion carried 5-0.

**Discussion and possible action approving Safe Drinking Water Loan Closing for the Eau Claire Blvd reconstruction project.**

Motion by McElhaney, seconded by Tierney, to approve. Motion carried 5-0.

**Adjourn**

Motion by Kilian, seconded by Gisselman, to adjourn the meeting. Motion carried.

Meeting adjourned at 7:11 p.m.

*For full meeting video on YouTube: <https://www.youtube.com/watch?v=7R8O64HKmvM>*