

In Attendance

Mayor S. Bierce, Alderman J. Wamser, Committee Members: M. Kreiter, D. Swan, J. Tormey

Also in Attendance

M. Wagner-Director of Public Works, J. Mueller-Utility Manager, R. Wirtz-Chief Engineer-Utilities, M. Gabbey-Chief Engineer-Streets and Development, S. Smaxwill-Administrative Assistant

1. Call to Order and Pledge of Allegiance

Mayor Bierce called the meeting to order at 4:00 p.m. and requested everyone stand for the Pledge of Allegiance.

2. Public Comments

None

3. Discussion and Action Regarding the Minutes

3.1. Discussion and possible action regarding the meeting minutes of 12/7/2023 minutes.

A motion was made and seconded (J. Tormey, M. Kreiter) to approve the December 7, 2023 meeting minutes. Motion passed: For-5, Against-0

4. Storm Water Management Division

4.1. Discussion and possible action regarding the Springdale Estates Drainage project.

Ms. Wagner provided a status report on the project. The Council approved the project plans as provided. Staff went out with the arborists and determined which trees were going to be removed. A couple of residents came out and there was a discussion. Staff also met with the utilities that are within the lot line of the properties and are working through potential conflicts.

Ms. Wagner stated she is currently working on finalizing the project for bidding this spring. Target date for construction is this summer, depending the type of spring we have. Notices will be mailed to residents with contractor contact information and other necessary details before construction starts.

No action was taken.

5. Water and Sewer Division

5.1. Discussion and possible action regarding Public Service Commission to reclassify the City of Pewaukee Water Utility from Class C to Class AB.

Ms. Mueller reported the Public Service Commission reclassified the Utility from a Class C to a Class AB. The reclassification was instituted because the Utility met the 4,000-customer threshold. The

reclassification requires a number of additional responsibilities and more detailed reporting. She worked with the accountants to update the chart of accounts so that it covers all the new classifications in the uniform system of accounts. This was done to help integrate the new accounts seamlessly into the new accounting package. There will be much more detailed information required during the budget process.

The reclassification also required us to institute the asset management program, which Mr. Gabbey has been working hard on and teaching us - and is doing a great job at it. Now we are getting into the implementation phase. Staff is now outfitted with equipment to help in the field; it's all work we have done in the past, it just hasn't been documented. This system will allow us to report in detail to the PSC what has been collected and documented.

Ms. Wagner explained that we asked for a time extension because of switching the utility from the UMS software to BS&A. We did this to make sure we are getting the reports we will need from the asset management program, so when we have to start the reporting as a Class AB utility, we have the documentation we need already properly set up.

Ms. Mueller stated that we have some additional challenges from an accounting standpoint, as there have been some staff changes.

Ms. Mueller stated that this new process will provide more efficiency in operations with work tracking aspects. We will be putting together a front-facing portal where people can put in requests from the city website that will go directly to the department that is responsible for the work. Ms. Wagner said there will be an automated response for feedback from the requestor.

Mr. Kreier asked if there would be feedback from the city after submitting a request? Ms. Mueller said yes, if the requestor checks a box for feedback, it would be automatically generated.

No action was taken.

6. Engineering Division

6.1. Discussion and possible action regarding the policy to extend municipal sanitary sewer and water main as part of road reconstruction projects.

Ms. Wagner reported that the Mayor requested this agenda item be discussed at the Council level. She said that Scott Klein suggested a discussion should first take place by this committee to bring some potential options to the Council.

This issue stems from projects we have had in the past couple of years where we are extending municipal sewer and water to existing homes in the road construction project area. The current policy is the city assesses 100% of the costs to those property owners allocated by road, storm sewer, sanitary sewer and water main. The costs for the storm sewer is paid by the Storm Water Utility, which comes from the fee property owners pay every year. The road assessment is capped for the residential properties, but non-residential properties pay 100% and it's been that way since 1984.

The concern comes from the current costs involved in assessments for sewer and water service. The time to extend those services is when the city is reconstructing those roads, if it is available to those properties - or if

it is an area that has groundwater contamination or old septic fields that we know will eventually need to be replaced.

Ms. Wagner stated staff ran through the current process and how to move forward with these projects. They created a five-year plan that was adopted by the Council and is published on our website. There is a truncated version in our DPW newsletters to give people a heads-up when a project is coming into their area. First, we bring it to the Council to get preliminary approval, informing them we will be reconstructing a road and that there are municipal services nearby. Then we ask whether we should extend municipal services or not? We get the yea or nay from the Council as to whether this project moves forward, and most of the time it is yes, because the right choice is to extend those services before we reconstruct the roads.

Unless there is something wrong with the design, the next time it is discussed is when the project goes to bid. That is when we send the residents a notice that a public hearing has been scheduled, along with the potential costs for the sewer and water extensions. The recent Shady Lane/Shady Nook project assessments were \$100K, so the Council decided they could not levy assessments to residents for more than they could bear. A healthy discussion came from that. Ms. Wagner explained that we do offer the 10-year payment plan for road, sewer and water, and it has interest assessed that is typically at what level we are borrowing, or the last borrowing that we did. Not only are those properties paying for those special assessments, but we also have our RCA and ICA charges. These “connection fees” are technically assessments that pay for the oversizing of our infrastructure, the downstream sewer capacity, the upsizing of the lift stations to be able to accommodate larger undeveloped parcels yet, and construction and maintenance of wells and towers. One of the RCA assessments increases yearly by the construction cost index, and the other one increases by a set fee that was done in a previous study that probably needs to be updated. The ICAs are project costs that we allocated to a portion of to the oversizing costs. There are only certain areas that have ICAs.

Ms. Wagner said every property is a little bit different, and every project has its own little nuances, but largely we are trying to find a way to do what is right but not price out the resident. We are looking at different ways to fund these projects. One is through the state loan program; they do have some principal forgiveness which Pewaukee typically does not qualify for because we are too affluent of a community. We would get an offset on the loan rates, but when you use the state loans, you also have to bid using state regulations, which inflate the price of the projects. Ms. Wagner discussed other possible programs with the committee. Most have an income requirement or require a great deal lot of personal financial information to apply for the grants, which most residents would not want to provide, and there is a certain amount of respondents that are required before you can apply for those grants. So because of the affluence of our community, we don't usually pursue most type of grants.

Beyond that we are looking at some other types of funding for offsetting those costs. Because we are required by the PSC, especially on the water side, to basically have a balanced budget every year, there is a only certain amount of fund balance we can maintain and it's not a lot. And if we could do something like that, you have to realize that it's other water customers that are offsetting the costs of those properties to connect to the water system. It's the same on the sewer side. So far, the Council has been pretty reticent to do that. We did try to have some ARPA funds applied to the projects these last couple years and came up with the same resistance to using those type of funds. You are only benefiting a very small area, you are not benefiting the community as a whole.

Ms. Wagner asked the committee for suggestions or a process they'd like the department to follow. We could get some pretty decent estimates put together of the projects, but we're never going to know the hard number until we bid the project and know what the costs are. Bidding out the projects and not installing

them is a waste of funds. We want to make sure that when we are moving forward that we are doing it in a way that those projects can move forward, and we can build the infrastructure that we need to build at a reasonable value.

Mr. Swan stated that he sat in that same position on the Council and had the same reaction; that getting water and sewer to the residents in Pewaukee was a great goal. Is there any other way that you can look at the financial breakdowns and check with other communities our size and find out how they do it? What kind of results do they get? Mr. Swan asked if Ms. Wagner reached out to other similar-sized communities. She said yes, they are all basically doing the same thing that we are for the projects. She doesn't know of any of them that are offsetting the projects, other than Brookfield which has larger lots - and assessing front footage is all they do. They have calculations to equate out the cul-de-sac lots and a maximum on the larger lots (280 linear feet), which the utility picks up the remaining costs. Otherwise, the rest of the communities are all straight assessments to the property owners.

Ms. Wagner went on to say that a lot of communities extended services regardless as they developed neighborhoods. Brookfield has sewer everywhere; their water main plan is laid out by the year, and they come in and put the water in. The residents don't have a vote, they are just given the bill. Oconomowoc developed their neighborhoods with water and sewer. The policies of the other communities were vastly different than Pewaukee's, and there are unique challenges for us moving forward. Most communities followed old DNR regulations, and they pay back the assessments when it comes due.

Mr. Tormey asked Ms. Wagner if the \$100K assessments included the sewer, water and the road? Ms. Wagner said yes. The road was capped at \$3,000, which was a very small amount of the assessment. He asked if she thought this high assessment amount was just for this project. Ms. Wagner responded that she feels this is going to be a recurring event, that she doesn't see the costs of construction going down. They may level out some, but not go back down.

Ms. Wagner stated that the way the city was laid out, we don't have the density to spread out those costs. The costs will be more for the older neighborhoods. It would have been much cheaper if the water and sewer were put in when they were developed, but many turned it down. The committee discussed the groundwater, bedrock, and other issues in some of the older neighborhoods.

The committee discussed longer payment periods, but the costs are still high and you're paying back with interest (latest borrowing rate was 5.5%).

Mr. Gabbey stated it doesn't seem to be a particularly competitive bidding environment.

Mayor Bierce said his biggest concern is wasting staff time. He feels the city might be done with these type of projects for a while, as there is no interest from the Council in charging large assessments to residents to install sewer or water main. He said another concern is if the DNR gains power again and they start making decisions like making these projects mandatory and then our hands are tied.

Mr. Tormey asked if the sewer and water services are put in during road construction projects, are the residents required to hook up? Ms. Wager responded that they are required to connect to municipal sewer in 15 years. For water, they must pay the assessment, but do not have to connect until the time of sale.

Mr. Kreiter asked which were the two older subdivisions that will require road construction projects? Ms. Wagner responded Sherwood Forest and Hickory Grove Estates. She said that these are older homes, and

some have replaced their septic systems with mound systems, and there is only so much room on the property for proper separation of septic and wells. Having so many holding tanks is something the city does not want to manage. Ms. Wagner feels strongly that these areas need the services, and she wants to do what is best for the community.

Mr. Tormey asked if we could consider a fixed fee rather than have it based on actual costs? Ms. Wagner said there is a cap on the roads and the taxpayers pick up the rest of that cost. She didn't know where the excess funds would come from or who would be paying the difference, especially on the water side. A conversation with the PSC would need to take place. She could argue that there is an overall benefit for the community as a whole by getting sewer and water to these areas. Areas with groundwater contamination and PFAS, which is in the upper aquifer where private wells draw water, affect people with private wells and the community as a whole. Ms. Wagner said she recently participated in a webinar with members of the DNR that is looking at a group of emerging contaminants. That is largely where PFAS came from, and regulations like these are only going to expand when you look at our drinking water system. The more people you have on the system the more there is to share the costs to pay for the new systems. Having the connections to the homes provides the income for our infrastructure and to maintain its operations.

Mr. Kreiter asked about the City of Waukesha. Ms. Wagner said Waukesha gets its water from Milwaukee and sends all of its wastewater back to Milwaukee; that is its mitigation system. SEWRPC was strong on the opinion that Pewaukee would always be on wells. Our wastewater goes to two different wastewater treatment plants. It would be difficult for us to pursue Waukesha or Milwaukee as an option to mitigate the contaminants.

Ms. Mueller said if your septic system fails, the contractors make you pay for their services now; they don't allow you to pay them back over many years, like the city does. We try to give residents opportunities to make it more affordable to pay it back.

Mr. Kreiter said that maybe we address areas like Shady Lane to prepare them ahead of time, and then get the estimates at that time and look for more grant money to assign to that area. Ms. Wagner stated that grants will go for PFAS or lead service line replacements; these will score higher in grants. Ground contamination has been there since the 90's and DNR didn't do anything then, why would they do it now? The opportunity for that subdivision has passed. We were extending services in that area and they rejected it. Brownfield Funding is only looking for large projects with redevelopment and parks, we wouldn't qualify with these smaller residential projects.

The committee agreed that there isn't an easy answer to this problem.

Mayor Bierce asked Ms. Wagner to bring this item back for further discussion at the next meeting. She mentioned pursuing the option of some sort of cap to the assessments, and who could fund the overages. She will also reach out to the PSC to see if we can create a fund to offset the water costs.

No action was taken.

7. Public Comment

Mr. Kreiter asked about the status of the railroad track improvements on Springdale Road. Ms. Wagner stated she hadn't heard anything yet. They are still working through the design process and have not submitted their paperwork.

8. Adjournment

A motion was made and seconded (M. Kreiter, D. Swan) to adjourn the meeting at 5:04 p.m.

Motion Passed: For-5, Against-0

Respectfully Submitted,

Magdelene Wagner
Director of Public Works