MINUTES
VILLAGE BOARD MEETING
Tuesday, October 31, 2023 at 6:45 PM
Village Board Special Meeting

1. Call to Order and Roll Call

   Meeting called to order at 6:45 PM by Pres. Heckendorf.

   Members Present: Pres. Heckendorf, Tr. Emmrich, Tr. Engelhardt, Tr. Olson, Tr. Kruepke, Tr. Matter, and Tr. Wells.
   Members Excused: None
   Members Absent: None
   Staff Present: Administrator Jen Keller, Treasurer Darlene Smith, Public Works Director Brian Kober, and Clerk Anastasia Gonstead.

2. Pledge of Allegiance

   Pledge of Allegiance was recited by those in attendance.

3. Village Citizen Comment on an Agenda Item (Please sign-in with the Clerk prior to speaking. Please note this is the Village Board's monthly business meeting, not a public hearing. People wishing to speak on an item on the agenda should present their comments under this agenda item. Each commenter will be limited to a total of 2 minutes.)

   None.

4. 2023 Financial Management Plan - Review of TIDs and Utilities

   John Cameron with Ehlers presented regarding 2023 Financial Management Plan, regarding utilities and TIFs. Explanation of how utilities differs from the general fund, and the importance that they can sustain year over year, including projects that inevitably come forward.

   Mr. Cameron explained the Village of Jackson last had a Conventional Rate Case (CRC) in October 2010. Since that time, the utilities financial plant is up (added capital) by 7%, operation and management, and depreciation (average between 2018-2022) have increased 50%. The projected 2023 PSC rate of return is -1.5%. He did point out a simplified increase was accepted in October of this year and that will help. Explanation given on how much longer the Village can do simplified rate increases.

   Water's historical rate performance was next discussed and how they evaluate that. Explaination of reserves - actual vs. target. The level of reserve is five months of operating expenses and next year's debt service payment is the benchmark.

   Future projections for water provided. It is anticipated that in 2027 the threshold for simplified rate case will be met. Conventional rate case would be needed in 2028. Also provided an example on how this would affect a resident's quarterly bill. Rate comparisons, by county, were provided as well.

A recommendation was given to take advantage of the simplified rate case increases when the Village is able, knowing that a conventional rate case increase will be needed in the capital improvement plan period. Mr. Cameron explained this plan identifies the maximum use of the simplified rate case, then the conventional rate case, and wait for sewer, that minimum rate adjustment with maximum use of case above the benchmark reserves, and to keep debt coverage near 1.6 (Moody's rating). Director Kober added that they could do a conventional rate case now, as it has been 13 years since that last one was conducted. Explanation provided of the difference between simplified rate case and conventional rate case.

Action needed - Consensus on water rate approach. The general consensus, not unanimous, was to continue with the simplified rate case increase until they meet the threshold and have to pursue a conventional rate case increase.

Sewer was next discussed. Historical rate performance was reviewed and explained. The benchmark for reserves are defined as five months of operating expenses and next year's debt service payment. The Village has reserves high above the benchmark, but that will be tapped into going into the upcoming year. Concerns of an aging system. The operating ratio including depreciation, the Village is below target.

Future projections on sewer were next addressed. This is preliminary as capital improvement costs are still incoming which can adjust the rate increases. Possibilities of principal forgiveness from the State will help as well. Clean Water Fund Loan Program is a low interest program provided by the State (Department of Natural Resources and Department of Administration). Questions commenced from the Board regarding rate increases and if they stay, as well as reserve amount increasing so substantially in the projection. Explanation was provided by Mr. Cameron.

The recommendation for sewer was to focus on near term, pointing out growth will help. That the proposed plan identifies a minimum rate adjustment with maximum use of case above the indicated benchmark, as well as to keep the debt coverage near 1.6 (Moody's rating). Also recommended to identify other ratemaking goals, if any.

Action needed - consensus on a sewer rate approach. There was a general consensus to want to see flexibility to see reserves managed at a lower rate. Mr. Cameron explained the first approach needs to be covering the debt to be incurred. Admin. Keller explained this plan covers phase 1 and 2, but that phase 3 is still quite abstract. This plan can be reevaluated as they move forward. Director Kober added that these numbers are the worst case, and there are factors that could still affect these rates. Consensus - Committing to the early rate increases, knowing there will be flexibility on the back end of the timeline. With awareness of the reserves and adjusting accordingly.

Brief coverage of TID performance overview and annual report commenced.

5. Adjourn

Motion to adjourn the meeting was made by Tr. Kruepke and was seconded by Tr. Wells.

Vote: 7 ayes, 0 nays. Motion carried. The meeting was adjourned at 8:04 PM.

Respectfully Submitted,
Anastasia Gonstead - Village Clerk