Employee Compensation Analysis for 2020: *** May move to closed session per State Statute 19.85(1)(c) considering employment, promotion, compensation, or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility.***

Stoughton Utilities staff presented and discussed a proposed market and inflationary wage adjustment for Stoughton Utilities staff. Staff informed the committee that during a regulatory rate review, the Wisconsin Public Service Commission (PSC) reviews employee wages and compensation very closely, and if the PSC determines that an increase in wages is significant and exceeds increases seen for that year at other utilities, a portion of wages may be excluded and not allowed to be recovered in utility rates. Staff explained that as more time passes between market wage adjustments and employees fall further behind comparable positions elsewhere, the resulting wage adjustments increase, which increases the potential for the PSC to exclude a portion of employee wages from recovery through utility rates. Staff informed the committee that at this time, the compensation for numerous positions require adjustment to remain competitive with regional competition, and that not addressing these issues on a timely basis make cause issues with future PSC rate reviews. Discussion followed.

Stoughton Utilities staff informed the committee that wage adjustments are only provided to employees in good standing that are meeting performance and behavior expectations and not undergoing disciplinary action. Employee's behavior and discipline records are reviewed annually and employees have the opportunity to have their good standing restored. Discussion followed.

City of Stoughton staff explained the history of the Springsted compensation analysis methodology and explained that the proposed market and inflationary wage adjustment preserved the approach previously approved by the Stoughton Personnel Committee and Stoughton Common Council. Staff confirmed that funding for the proposed adjustments, if approved, would be included in the 2020 operating budget and included in the regulatory rate reviewed scheduled to be filed by the end of the year. Discussion followed.

Motion by Hirsch, the motion seconded by Heili, to close the meeting pursuant to State Statute 19.85 (1)(c) for the purpose of considering employment, promotion, compensation, or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. The motion carried unanimously 5 to 0. The Stoughton Utilities Committee convened in closed session at 6:02 p.m.

Motion by Heili, the motion seconded by Jenson, to reconvene in open session. The motion carried unanimously 5 to 0. The Stoughton Utilities Committee reconvened in open session at 6:24 p.m.

Motion by Heili, the motion seconded by Hirsch, to approve the market and inflationary wage adjustment, estimated to have an impact of $47,324 on the 2020 Utilities Operating Budget, and recommend approval to the City of Stoughton Personnel Committee, City of Stoughton Finance Committee, and Stoughton Common Council. The motion carried unanimously 5 to 0.

Adjournment: There being no further business before the committee, motion by Hirsch, the motion seconded by Heili, to adjourn the special Stoughton Utilities Committee Meeting at 6:25 p.m. The motion carried unanimously 5 to 0.

Respectfully submitted

Brian R. Hoops
Stoughton Utilities Assistant Director

DRAFT

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

Date: September 26, 2019

To: Stoughton Utilities Committee

From: Jill M. Weiss, P.E.
Stoughton Utilities Director

Subject: Employee Compensation Analysis for 2020

As we approach the end of the year, I have been working in partnership with the City of Stoughton Director of Finance to develop the Stoughton Utilities operating budget and 5-year capital improvement plan (CIP), including completing a review of all budget impacts. During this process, we have identified the need to complete regulatory rate reviews as we move forward with our capital improvement needs and requirements.

During a regulatory rate review, the Wisconsin Public Service Commission (PSC) reviews employee wages and compensation very closely. If the PSC determines that an increase in wages is significant and exceeds increases seen at other utilities, a portion of wages may be excluded and not allowed to be recovered in utility rates. The PSC's review of wages does not analyze the appropriateness of the wage, but rather just any increase. As more time passes between market wage adjustments and employees fall further behind comparable positions elsewhere, the resulting wage adjustments increase, which increases the potential for the PSC to exclude a portion of employee wages from recovery through utility rates.

The last time a full utility market compensation analysis of Wisconsin municipal utilities, and follow-up adjustments occurred was in 2015 for the 2016 budget year. As a result, the compensation for numerous positions require adjustment to remain competitive with regional competition.

Upon recognizing the potential for such wage recovery conflicts with the PSC, I meet with Mayor Swadley, Director Friedl and Director Gillingham to discussed the PSC rate review process, utility employee market challenges, and the vision for the utility's future. Following this meeting, Director Gillingham reviewed employee wages, utilizing the Springstead study and utility market rates obtained from MEUW[1], and provided a list of recommended adjustments. Director Friedl estimates the budget impact to implement these recommended adjustments and the annual inflationary increase to total $47,324 for the electric utility, water utility, and wastewater utility combined.

Wage adjustments are only provided to employees in good standing that are meeting performance and behavior expectations and not undergoing disciplinary action. Employee's behavior and discipline records are reviewed annually and employees have the opportunity to have their good standing restored.

[1] The Municipal Electric Utilities of Wisconsin (MEUW) is a state association representing 81 municipal electric utilities throughout Wisconsin. Each year they conduct a Wage & Benefit Survey which is shared with participating members to assist with personnel planning and budgeting.

As each year passes without ongoing market adjustments to keep wages current with those offered by similar municipal utilities and regional competitors, the likelihood increases that the utility will not be able to fully recover future wage increases within the rate structure. Further, without timely market adjustments, Stoughton Utilities will not be able to retain or recruit the talented staff it requires to operate successfully and provide the high quality of safe and reliable service our customers require. There are a number of positions within the utility that are in great demand in the current labor force, and Stoughton's proximity to large municipal utilities and a number of investor-owned utilities places us in a very competitive market.

Addressing the required market adjustments to compensation is in response to the 2020 budgeting process and is necessary to ensure full cost recovery during upcoming PSC rate reviews. Further, I am in the process of evaluating all utility positions and the organizational structure of the utility to best position us for the future. This effort is to increase efficiency, address our internal needs and our customers' needs, strategize positioning within the industry, and succession planning to respond to upcoming retirements and a current vacancy. In the upcoming year, I will be proposing additional changes for the committee's review and approval so that we may continue to be strategic and plan for the future needs of our customers.

It is requested that the Stoughton Utilities Committee review and approve the market and inflationary wage adjustment, estimated to have an impact of $47,324 on the 2020 Utilities Operating Budget, and recommend approval to the City of Stoughton Personnel Committee, City of Stoughton Finance Committee, and Stoughton Common Council.