

Engineering Division of the Public Works Department

To: Chairperson Arnett and Commission Members
From: Andrew M. Beyer, P.E.
Date: April 8, 2026
Subject: Public Works Commission Meeting of April 14, 2026

Review and take possible action: Financial Agreement Between TDS and the City of Watertown

Background

Engineering staff began discussions in 2022 regarding a Financial Agreement between TDS and the City of Watertown related to TDS's proposed city-wide fiber expansion project. Since that time, staff has worked through multiple iterations of the agreement to ensure roles, responsibilities, and cost recovery measures are clearly defined.

The final draft agreement has been reviewed and approved by the City Attorney, with input from the Finance Director and the Engineering Division.

The purpose of this Financial Agreement is to ensure that the City is not financially burdened by the additional workload associated with the TDS fiber expansion project. The project includes installation of fiber optic infrastructure within approximately 121 miles of City-owned right-of-way between 2025 and 2027.

Given the scale of the project, staff determined that outside assistance was necessary to effectively manage permit review and construction oversight. The City has retained Short Elliott Hendrickson (SEH) to assist with permit reviews and construction verification services. SEH's involvement allows the City to maintain timely and thorough review processes while ensuring compliance with City standards and protecting public infrastructure.

While the Financial Agreement is being finalized, TDS has proceeded with portions of the project. SEH has been operating under a standalone contract with the City to perform permit review and construction verification services. In the interim, TDS has agreed to a cost recovery arrangement whereby the City pays SEH for these services and is subsequently reimbursed by TDS for all professional service fees incurred.

The agreement formalizes this arrangement and establishes expectations related to permitting, construction coordination, and use of the public right-of-way. SEH was brought on due to current staff capacity constraints and the need to balance this large-scale project with ongoing responsibilities and capital improvement projects. City staff maintains regular communication with SEH to provide review input as needed and to stay informed on the project.

Budget Goal

5. Encourage community growth by assessing opportunities, involving ALL stakeholders, environmental needs, modern code and policy priorities.

Financial Impact

The Financial Agreement is structured to ensure full cost recovery to the City for management of the TDS fiber expansion project.

TDS will pay a fixed fee per Digital Fiber Network (DFN) permit of \$8,000 in 2025 and 2026, and \$8,400 in 2027. These fees are intended to cover the City's management function costs associated with permitting, review, and administration of work within the public right-of-way.

In addition, TDS is responsible for all engineering consultant costs incurred by the City that exceed standard permit review, including additional review resulting from incomplete applications, resubmittals, unforeseen construction conditions, or contractor inefficiencies. These costs will be reimbursed to the City in full.

TDS will provide an initial deposit of \$408,000 to fund permit review and administration activities, with provisions for replenishment as the project progresses to ensure uninterrupted service. Funds will be used solely for costs associated with management of the project, including payments to the City's engineering consultant.

This structure ensures that all costs incurred by the City related to the project are borne by TDS, and that no financial burden is placed on the City.

Recommendation

Staff recommends that the Public Works Commission review the Financial Agreement and forward a recommendation for approval to the Common Council.