



FRUITA
COLORADO

AGENDA ITEM COVER SHEET

TO: MAYOR AND CITY COUNCIL

FROM: MARGARET SELL, FINANCE DIRECTOR/CITY CLERK

DATE: JUNE 20, 2022

AGENDA TEXT: **ORDINANCE 2022-16 – FIRST READING** – An Ordinance granting a franchise to Grand Valley Rural Power Lines, Inc., for the right to use streets and other property for the distribution of electricity in the City

BACKGROUND

Pursuant to the Fruita City Charter, the City Council has the authority to grant a franchise for the use of any street, alley or public place, subject to approval of a majority of the City Council for a period not to exceed 25 years. A franchise agreement allows a utility company the use of city streets, alleys and other property to provides services (electricity) to residents and businesses, regulates the use of the right-of way, and determines compensation that the city will receive for use of said right-of-way. The City entered into the current franchise agreement with Grand Valley Rural Power Lines, Inc. (GVRP) in 2002 and it is set to expire this year.

The term of the proposed franchise agreement is for twenty years and the franchise fee received by the City from GVRP remains unchanged at 3% of gross revenues from the sale of electricity within the city limits. This is the standard fee charged by a significant number of cities within the State. This fee is passed directly to the customer as an expense of GVRP.

The franchise agreement includes continuation of the Underground Conversion Program which provides an amount equal to 1% of annual gross revenues for the purpose of undergrounding existing overhead electric distribution lines in city streets and other city property as requested by the City. These funds may be carried over to succeeding years and estimated amounts for the following 3 years may be used for undergrounding projects subject to terms and conditions of the agreement. Any unexpended portion of the undergrounding funds under the existing franchise agreement will be carried over to the new franchise agreement.

Other terms of the agreement have been updated to reflect changes in industry and municipal practices and regulations.

FISCAL IMPACT

The City received \$34,000 in 2021 in franchise fees from GVRP and anticipates receiving similar amounts under the new franchise agreement subject to growth, energy costs, inflation and conservation factors which may affect the gross revenues. In addition, the City receives credit for the undergrounding conversion program of 1% of grow revenues (\$11,3330) on an annual basis for undergrounding existing overhead lines.

APPLICABILITY TO CITY GOALS AND OBJECTIVES

Franchise agreements and revenues produced from said agreements help the City maintain its investment in the infrastructure (streets) of the City.

OPTIONS AVAILABLE TO THE COUNCIL

- Direct staff to proceed with publication of the ordinance for second reading and public hearing
- Direct staff to negotiate and amend the term length of the agreement, rate of franchise fee or other terms of the agreement prior to public hearing and second reading of the ordinance

RECOMMENDATION

It is the recommendation of staff that the City Council by motion:

**PUBLISH A NOTICE OF PUBLIC HEARING FOR ORDINANCE 2022-16
ADOPTING THE FRANCHISE AGREEMENT WITH GRAND VALLEY RURAL
POWER LINES, INC., AS PRESENTED FOR PUBLIC HEARING ON JULY 19, 2022**