



Franchise Fees to fund Capital Improvement Program

**Joint Meeting
April 18, 2024**

GRAND RAPIDS

IT'S IN MINNESOTA'S NATURE



Franchise Fees

CIP Funding Options

Current Funding:

General Levy / Bonding - City borrows money and annual payments are funded with the general levy

Challenges with Property Taxes:

Competes with all other services the City provides

Non-taxable properties do not pay

- Itasca County
- ISD 318
- Churches
- Non-profits

These properties contribute to the deterioration of local roadways



Franchise Fees

CIP Funding Options

Franchise Fees

Minnesota State 216B.36 allows municipalities to charge franchise fees to utilities within the public right-of-way. Franchise fees may be expressed as

- i. a specified charge per measurable unit of electricity
- ii. a percentage of the gross revenues
- iii. a flat fee per customer
- iv. some reasonable combination

City of Grand Rapids has the following:

- 3 power providers
- 2 natural gas providers
- multiple communication providers



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3rd Ave NE - Reconstruction Project:

Total Construction cost = \$4,077,600

Non-Construction cost = \$1,330,220

Total Project cost = \$5,407,820

City share = \$3,739,977

Annual bond payment = \$350,000





Franchise Fees

CIP Funding Options

Franchise Fees - Option 1

Combination of flat fee and percentage, achieving **\$3.7 million** per year to fully fund a reconstruction program.

	Funding Option 1				
	Average Monthly Customers	Rate	Months	Yearly Total	Yearly Fee Per
Residential	4,802	\$ 18.00	12	\$1,037,232.00	\$ 216.00
	Yearly Commercial			Monthly Avg	Yearly Avg
Small Commercial, Non-D&E	\$ 50.04	28%	12	\$ 14.01	\$ 168.13
Medium Commercial, Non-D&E	\$ 231.54	28%	12	\$ 64.83	\$ 777.97
Large Commercial, Non-D&E	\$ 991.56	28%	12	\$ 277.64	\$ 3,331.64
Demand and Energy	\$ 2,537.00	28%	12	\$ 710.36	\$ 8,524.32
Commercial	\$ 9,442,900.00	28%	12	\$2,644,012.00	\$ 220,334.33
				\$ 3,681,244.00	





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Franchise Fees - Option 2

Combination of flat fee and percentage, achieving **\$350,000** per year to make annual bond payment

	Funding Option 2				
	Average Monthly Customers	Rate	Months	Yearly Total	Yearly Fee Per
Residential	4,802	\$ 1.25	12	\$ 72,030.00	\$ 15.00
	Yearly Commercial			Monthly Avg	Yearly Avg
Small Commercial, Non-D&E	\$ 50.04	3%	12	\$ 1.50	\$ 18.01
Medium Commercial, Non-D&E	\$ 231.54	3%	12	\$ 6.95	\$ 83.35
Large Commercial, Non-D&E	\$ 991.56	3%	12	\$ 29.75	\$ 356.96
Demand and Energy	\$ 2,537.00	3%	12	\$ 76.11	\$ 913.32
Commercial	\$ 9,442,900.00	3%	12	\$ 283,287.00	\$ 23,607.25
				\$ 355,317.00	





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Franchise Fees - Option 2

Fee would need to increase each year to fund new bonding.

Funding Option 2				
	Annual Total Residential	Annual Total Commercial	Total Fee Collected	Annual Residential
Year 1	\$ 72,030.00	\$ 283,287.00	\$ 355,317.00	\$ 15.00
Year 2	\$ 144,060.00	\$ 566,574.00	\$ 710,634.00	\$ 30.00
Year 3	\$ 216,090.00	\$ 849,861.00	\$ 1,065,951.00	\$ 45.00
Year 4	\$ 288,120.00	\$ 1,133,148.00	\$ 1,421,268.00	\$ 60.00
Year 5	\$ 360,150.00	\$ 1,416,435.00	\$ 1,776,585.00	\$ 75.00
Year 6	\$ 432,180.00	\$ 1,699,722.00	\$ 2,131,902.00	\$ 90.00
Year 7	\$ 504,210.00	\$ 1,983,009.00	\$ 2,487,219.00	\$ 105.00
Year 8	\$ 576,240.00	\$ 2,266,296.00	\$ 2,842,536.00	\$ 120.00
Year 9	\$ 648,270.00	\$ 2,549,583.00	\$ 3,197,853.00	\$ 135.00
Year 10	\$ 720,300.00	\$ 2,832,870.00	\$ 3,553,170.00	\$ 150.00



Fee Summary at Year 10	
	Yearly Fee Per
Residential	\$ 150.00
	Yearly Avg
Small Commercial, Non-D&E	\$ 180.14
Medium Commercial, Non-D&E	\$ 833.54
Large Commercial, Non-D&E	\$ 3,569.62
Demand and Energy	\$ 9,133.20
Total Commercial	\$ 236,072.50



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Franchise Fees

Annual Debt Service

Annual Debt Service									
	2024 Levy	2025 Levy	2026 Levy	2027 Levy	2028 Levy	2029 Levy	2030 Levy	2031 Levy	2032 Levy
	Payable 2025	Payable 2026	Payable 2027	Payable 2028	Payable 2029	Payable 2030	Payable 2031	Payable 2031	Payable 2032
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Levies for Infrastructure:									
2009 Improvement Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2010 Improvement Bonds	55,486	-	-	-	-	-	-	-	
Adjustment for Debt Study	(80,000)	(80,000)	(55,000)	(10,000)	-	-	-	-	
2011 Improvement Bonds	56,792	60,309	-	-	-	-	-	-	
2012 Improvement Bonds	124,376	124,165	123,784	-	-	-	-	-	
2013 Improvement Bonds	109,510	104,522	109,864	113,854	-	-	-	-	
2014 Improvement Bonds	162,032	163,345	164,363	165,077	165,476	-	-	-	
2016 Improvement Bonds	153,334	150,184	152,284	149,029	151,024	152,914	149,102	-	
2017 Improvement Bonds	172,238	167,670	168,352	168,641	168,765	168,555	168,001	167,093	
2017 Refunding Imp Bonds	-	-	-	-	-	-	-	-	
2018 Impr & CIP Bonds	143,953	140,690	142,677	144,507	140,929	137,351	144,089	139,999	
2019 GO/Abatement Bonds	138,421	135,114	137,057	133,591	136,532	134,116	136,952	134,305	
2020 GO St Reconst Bonds	166,191	163,331	165,720	168,005	164,935	167,115	165,283	168,534	
2021 Abtmnt/GO	99,566	102,939	100,918	98,897	102,126	99,960	98,385	102,060	
2021 Fire Hall GO Bonds	305,104	304,579	303,909	303,096	302,138	306,285	306,705	307,020	
2023 Sylvan Bay	234,555	215,670	214,883	213,832	217,770	215,933	219,082	220,000	
2024 Accounting Software	61,400	61,400	61,400	61,400	61,400	61,400			
2025 3rd Avenue NE	-	360,000	366,601	357,536	347,801	350,000	350,000	350,000	
Total Levies-Infrastructure	\$ 1,902,958	\$ 2,173,918	\$ 2,156,813	\$ 2,067,465	\$ 1,958,895	\$ 1,793,629	\$ 1,737,599	\$ 1,589,011	
Levy (Increase)/Decrease	\$ 15,098	\$ (270,960)	\$ 17,106	\$ 89,348	\$ 108,569	\$ 165,266	\$ 56,030	\$ 148,588	\$ 313,947





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2010 Improvement Bonds	55,486	-	-	-	-	-	-	-	
Adjustment for Debt Study	(80,000)	(80,000)	(55,000)	(10,000)	-	-	-	-	
2011 Improvement Bonds	56,792	60,309	-	-	-	-	-	-	
2012 Improvement Bonds	124,376	124,165	123,784	-	-	-	-	-	
2013 Improvement Bonds	109,510	104,522	109,864	113,854	-	-	-	-	
2014 Improvement Bonds	162,032	163,345	164,363	165,077	165,476	-	-	-	
2016 Improvement Bonds	153,334	150,184	152,284	149,029	151,024	152,914	149,102	-	
2017 Improvement Bonds	172,238	167,670	168,352	168,641	168,765	168,555	168,001	167,093	
2017 Refunding Imp Bonds	-	-	-	-	-	-	-	-	
2018 Impr & CIP Bonds	143,953	140,690	142,677	144,507	140,929	137,351	144,089	139,999	
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2024 Accounting Software	61,400	61,400	61,400	61,400	61,400	61,400	61,400		
2025 3rd Avenue NE	-	-	-	-	-	-	-	-	-
Total Levies-Infrastructure	\$ 1,902,958	\$ 1,813,918	\$ 1,790,212	\$ 1,709,929	\$ 1,611,094	\$ 1,443,629	\$ 1,387,599	\$ 1,239,011	
Lewy (Increase)/Decrease	\$ 15,098	\$ 89,040	\$ 23,707	\$ 80,283	\$ 98,834	\$ 167,465	\$ 56,030	\$ 148,588	\$ 663,947





Franchise Fees **Implementation**

Implementation and Schedule:

Would be implemented when the new software system allows it (Fall 2024)

Depending on start, could eliminate the bond payment for 3rd Avenue NE from levy

Process would include the posting and adoption of a Franchise Ordinance and Franchise Fee Schedule



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Questions?

