

# Franchise Fee Ordinance

Public Hearing  
October 28<sup>th</sup>, 2024

GRAND RAPIDS  
IT'S IN MINNESOTA'S NATURE



# Franchise Fee Ordinance

## Fee Structure

### Proposed Fee Structure:

Residential - \$1.25 / month

Commercial /Industrial – 2.5% of monthly bill (max of \$2,000/month)

Would generate approximately \$350,000 per year to make annual bond payment and would eliminate the use of property taxes

Residential Home will pay **\$15** / year in first year

Commercial will vary depending on electric usage

Demand and Energy	Monthly Bill	Monthly Franchise Fee	Yearly Franchise Fee
Small C&I	\$ 5,000.00	\$ 125.00	\$ 1,500.00
Medium C&I	\$ 20,000.00	\$ 500.00	\$ 6,000.00
Large C&I	\$ 40,000.00	\$ 1,000.00	\$ 12,000.00



# Franchise Fee Ordinance

## Fee Structure

### Proposed Fee Structure:

Fees will increase on an annual basis

Revenue will be reviewed on an annual basis and rates will be adjusted to align with the program goals

Customer Classification	Amount per Account per Month				
	2025	2026	2027	2028	2029
Residential	\$ 1.25	\$ 2.50	\$ 3.75	\$ 5.00	\$ 6.25
Commercial / Industrial (all customers)	2.50%	5.00%	7.50%	10.00%	12.50%
Maximum amount per month	\$ 2,000	\$ 4,000	\$ 6,000	\$ 8,000	\$10,000



# Franchise Fee Ordinance

## Residential Example for \$270K Home

### Franchise Fee

Reduction in Property Tax Not issuing new debt										
2024 Tax Rate			0.7318	0.7318	0.7318	0.7318	0.7318	0.7318	0.7318	0.7318
Debt Reduction Tax Rate			0.7135	0.706	0.704	0.6972	0.6888	0.6746	0.6698	0.6572
Debt Reduction/\$100k Res.			\$18.30	\$25.80	\$27.80	\$34.60	\$43.00	\$57.20	\$62.00	\$74.60
2024 Median \$207.8k			\$38.03	\$53.61	\$57.77	\$71.90	\$89.35	\$118.86	\$128.84	\$155.02
2024 Mean \$269.6k			\$49.34	\$69.56	\$74.95	\$93.28	\$115.93	\$154.21	\$167.15	\$201.12
2025 Franchise Fee				\$ 15.00	\$ 30.00	\$ 45.00	\$ 60.00	\$ 75.00	\$ 90.00	\$ 105.00
Debt Reduction/\$100k Res.		\$	156.41							
2024 Median \$207.8k		\$	325.02							
2024 Mean \$269.6k		\$	421.68	\$ 352.12	\$ 346.73	\$ 328.40	\$ 305.75	\$ 267.47	\$ 254.53	\$ 220.56
<b>Total amount paid</b>		<b>\$</b>	<b>421.68</b>	<b>\$ 367.12</b>	<b>\$ 376.73</b>	<b>\$ 373.40</b>	<b>\$ 365.75</b>	<b>\$ 342.47</b>	<b>\$ 344.53</b>	<b>\$ 325.56</b>

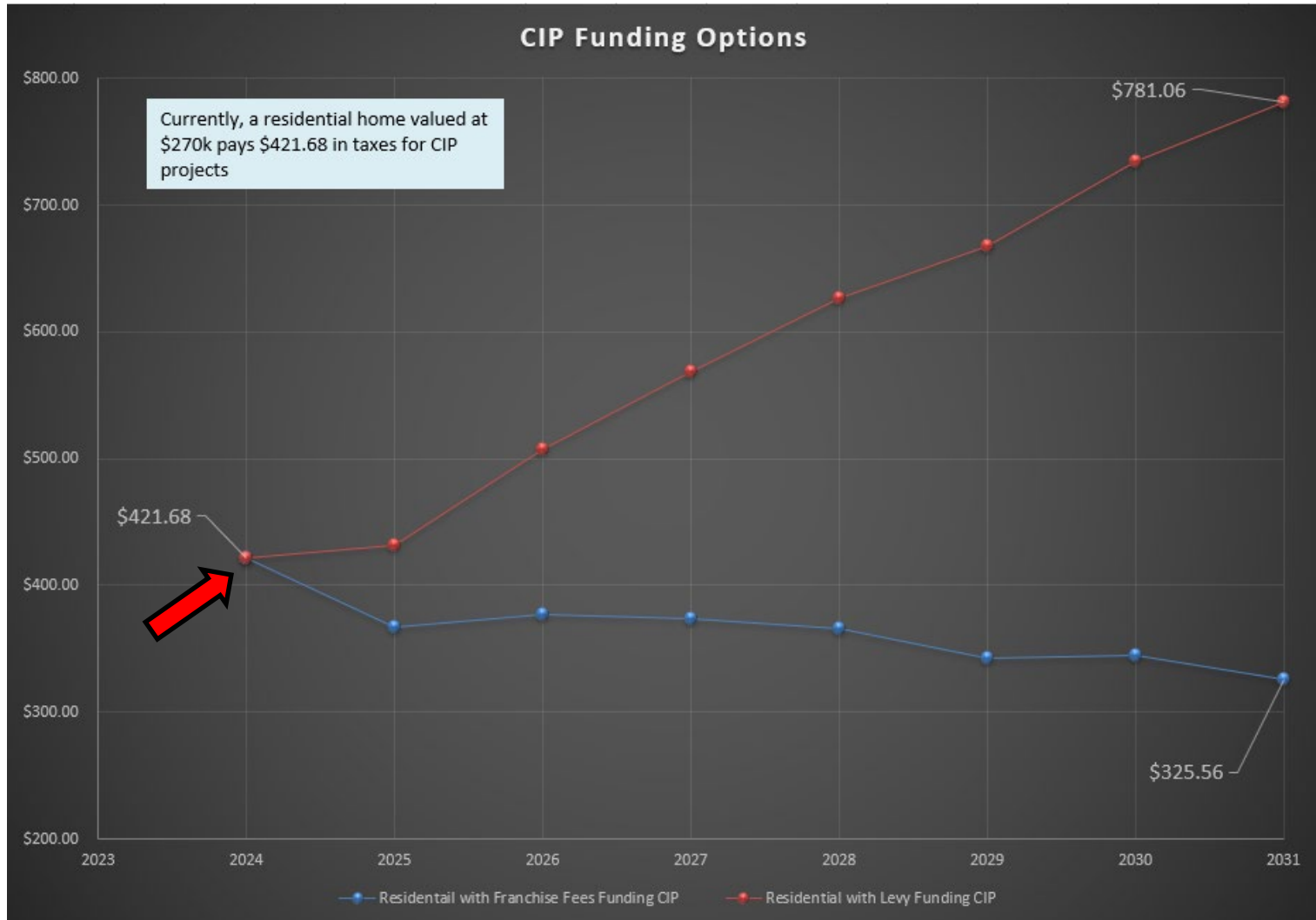
### Levy

Increase in Property Tax Doing \$3.5 Million Project Each Year										
2024 Tax Rate			0.7318	0.7318	0.7318	0.7318	0.7318	0.7318	0.7318	0.7318
Debt Reduction Tax Rate			0.7135	0.7357	0.7634	0.7863	0.8076	0.8231	0.848	0.8651
Debt Reduction/\$100k Res.			-\$18.30	\$3.90	\$31.60	\$54.50	\$75.80	\$91.30	\$116.20	\$133.30
2024 Median \$207.8k			-\$38.03	\$8.10	\$65.66	\$113.25	\$157.51	\$189.72	\$241.46	\$277.00
2024 Mean \$269.6k			-\$49.34	\$10.51	\$85.19	\$146.93	\$204.36	\$246.14	\$313.28	\$359.38
Debt Reduction/\$100k Res.		\$	156.41							
2024 Median \$207.8k		\$	325.02							
<b>2024 Mean \$269.6k</b>		<b>\$</b>	<b>421.68</b>	<b>\$ 432.20</b>	<b>\$ 506.87</b>	<b>\$ 568.61</b>	<b>\$ 626.04</b>	<b>\$ 667.83</b>	<b>\$ 734.96</b>	<b>\$ 781.06</b>



# Franchise Fee Ordinance

## Residential Example for \$270K Home





# Franchise Fee Ordinance

## Commercial Example

### Commercial Example

Example	Average Monthly Electric Bill	2023 EMV	Amount of City Tax Currently Paid towards Debt	Total amount paid towards CIP w/ Franchise Fee in Year 7	Total amount paid towards CIP w/ Levy increase in Year 7	Diference in Year 7
Commercial 1	\$ 4,500	\$ 3,100,000	\$ 9,267.29	\$ 13,660.32	\$ 17,165.32	\$ (3,504.99)
Commercial 2	\$ 19,000	\$ 3,700,000	\$ 11,144.21	\$ 45,169.87	\$ 20,641.84	\$24,528.03
Industrial 1	\$ 1,300	\$ 1,600,000	\$ 4,574.99	\$ 4,749.38	\$ 8,474.02	\$ (3,724.63)
Industrial 2	\$ 18,000	\$ 5,000,000	\$ 15,523.69	\$ 43,510.27	\$ 28,753.72	\$14,756.56

- Some properties will see an overall reduction in the amount paid towards the Street CIP
- For commercial/industrial, it is all based on usage





# Franchise Fee Ordinance

## Schedule

### Schedule:

October 14<sup>th</sup> City Council meeting - Public Hearing on Franchise Agreements - **COMPLETE**

October 28<sup>th</sup> City Council meeting - Consider Approving Franchise Agreements - **COMPLETE**  
- Hold Public Hearing on Franchise Fees  
- Consider Approving Franchise Fees

On or After January 1<sup>st</sup>, 2025 – Franchise fees implemented



# Franchise Fee Ordinance

## Public Hearing

October 28<sup>th</sup>, 2024

Questions?

