



Franchise Ordinances

Public Hearing
October 14th, 2024

GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE



Franchise Ordinances

Street CIP Funding Options

What is the challenge?

Finding a consistent funding source to fund the Street Capital Improvement Program

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



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Street CIP Funding Options

What funding options are there?

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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Implementation

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

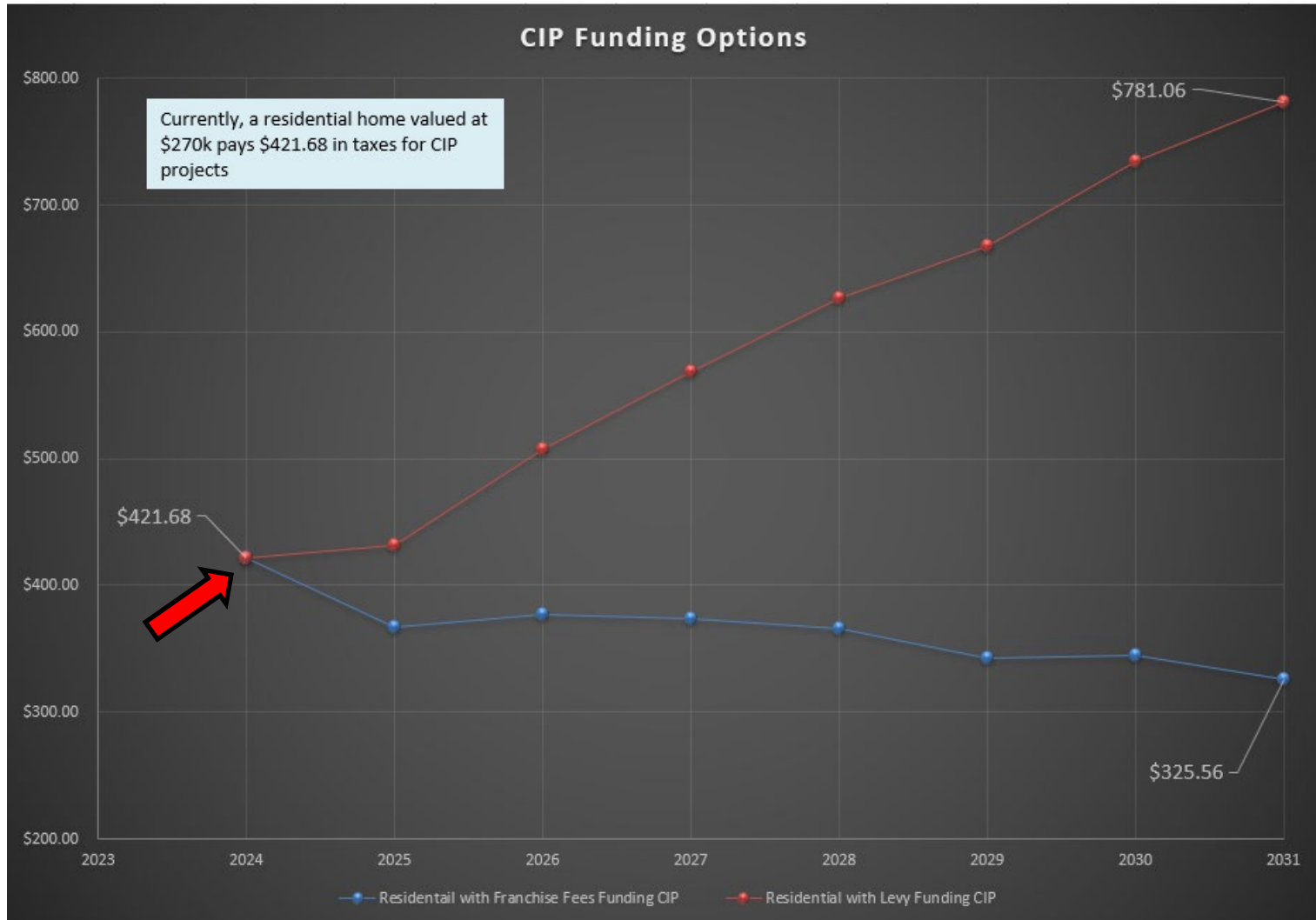
Commercial will vary, with the following examples:

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



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Franchise Ordinances Funding Comparison





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Minnesota Power

Examples of Existing Franchise Fees

Minnesota Power Franchise Fees (as of 2022)						
City	Residential	Small C&I Non-demand	Small C&I Demand	Large C&I	Effective Date	Population
Big Lake	\$4.00	\$8.00	\$8.00	\$8.00	2014	12,610
Duluth	3%	3%	3%	3%	2017	87,680
Faribault	\$6.63	\$21.94	\$58.72	\$438.80	2022	24,642
Hermantown	\$2.00	\$2.00	\$2.00	\$2.00	-	10,202
Monticello	\$1.95	\$5.50	\$31.00	\$190.00	2007	14,831
Mounds View	4%	4%	4%	4%	2022	12,782
Nashwauk	1.5%	1.5%	1.5%	1.5%	2011	959
Rogers	\$5.00	\$7.00	\$45.00	\$210.00	2016	13,617
Grand Rapids	\$1.25	2.5%	2.5%	2.5%	-	11,271

* City's may be charging franchise fees on other utilities as well (ie. natural gas, communications, etc.)



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What's Next?

- In order to implement Franchise Fees to fund the Street Improvement Program, first the Council will need to approve Franchise Ordinances with all 3 electric providers.
- Franchise Ordinances are a standard agreement with the utility companies
- Agreements allow companies to operate within public right-of-way and allow the City to charge franchise fees
- Agreements do not hinder or change the way the utility companies do business



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Outreach and Feedback

- 4,000 informational flyers have been sent to all registered addresses within the City.
- Dedicated webpage has been created to provide information to the public
- Dedicated email address has been created to receive feedback
- To date, City has received 2 phone calls and 1 email on the proposed ordinance.



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Schedule

Schedule:

October 14th City Council meeting - Public Hearing on Franchise Agreements

October 28th City Council meeting - Hold Public Hearing on Franchise Fees
- Consider Approving Franchise Agreements
- Consider Approving Franchise Fees

January 1st, 2025 – Franchise fees implemented



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Questions?

