

BAXTER CITY COUNCIL MINUTES
Work Session
January 5, 2016

Vice Mayor Todd Holman called the Work Session to order at 5:45 p.m.

COUNCIL MEMBERS PRESENT: Vice Mayor Todd Holman and Council Members Quinn Nystrom and Mark Cross

COUNCIL MEMBERS ABSENT: Mayor Darrel Olson and Council Member Steve Barrows

STAFF PRESENT: City Administrator Gordon Heitke, Community Development Director Josh Doty, Assistant City Administrator Kelly Steele, Public Works Director Trevor Walter, and Finance Director Jeremy Vacinek

Utility Franchise Fees

Rebecca Kurtz, Ehlers, explained cities charge franchise fees to utility service providers as an alternative means to raise revenues for the City's general fund or for a specific project. Franchise fees have become a more common and desirable alternative to taxes for funding street maintenance in the absence of other funding mechanisms. Currently over 65 cities in Minnesota have implemented franchise fees to assist with raising revenues. The franchise fees are usually a fixed amount charged per month in most communities. Franchise fees are reliable and a stable source of revenue irrespective of economic conditions and state budgets. Tax exempt properties, including state, county, school facilities along with churches and other non-profits, contribute their respective share to the revenue stream. Franchise fee provide an opportunity to balance the financial obligations between payer classes without being based on property valuation. The growth in revenue is proportional to the growth in business activity and population. Some disadvantages of the franchise fee are it may be viewed as another form of taxes.

Ms. Kurtz explained the city must adopt an ordinance for each service provider enacting the fee. The ordinance will contain the terms of the fees imposed, along with setting effective and expiration dates.

The state regulated providers, Xcel and CenterPoint request the city send a certified copy of the council action to pass the ordinance 90 days in advance of the first fee collection. These providers must furnish a 60-day notice to the Minnesota Public Utilities Commission of the intention to charge fees collected. Crow Wing Power and Brainerd Public Utilities have a less stringent process for implementing the franchise fee.

Fees are collected on a monthly basis from service provider customers. Service providers than remit the fees to the city.

Each service provider has unique customer classifications to differentiate pricing for residential and various commercial entities. Schools, churches, hospitals, and other similar institutions are classified as commercial.

In Minnesota most franchise fees, while fixed, are still initially developed from a percent of the utilities' gross revenues which are primarily achieved through energy consumption. Fixed fees are generally preferable to both cities and their utility providers because they will not change monthly based on energy price and usage fluctuations, only by the number of customer accounts. In some instances, these fixed fees are then applied across all users. However, most cities use a tiered approach because residential, commercial, and industrial customers' consumptions vary greatly, making it difficult to implement a flat fee with equitable impact.

The projected franchise fees discussed with the city in the past iterations uses a tiered rate structure for commercial users, which is common in Minnesota. Average monthly gross revenue information for each utility provider and customer classification was reviewed to come up with a structure that delivered close to a targeted 2% of gross revenues, alleviate disparities because of differences in the utility providers, customer classifications, and attain the targeted revenue requirement for the street maintenance program.

The estimated gross revenues is \$506,568. The total residential impact is \$5 per month and \$20 for small commercial.

City Administrator Heitke explained tonight staff is looking to update the council and inquire if the council is ready to move forward. City Administrator Heitke recommended conducting an informational meeting. The informational meeting could be conducted during the next council meeting and the following meeting the council could consider adoption of the ordinances. Staff will place an informational notice in the Brainerd Dispatch.

Fairview Road and Trail Feasibility Study

Scott Hedlund, SEH, explained he and City Administrator Heitke met with both churches. The council will consider accepting the feasibility report and ordering the improvement hearing on the regular agenda. City Administrator Heitke pointed out the increased price for the trail. Land appraisals will not be available until the end of February. The council explained they are not in favor of moving forward with the trail. The council discussed a separated trail would provide improved safety for users. Mr. Hedlund explained it would be difficult to fit an off road trail the farther west on Fairview Road.

Fairview Road and Trail Schedule and Contract Amendments

Mr. Hedlund explained the improvement hearing is proposed to be held February 1, 2016 at 6:00 p.m. At the hearing, Mr. Hedlund will present the roadway improvement along with 5-foot bike and pedestrian lanes.

Berrywood Park Land Purchase

Community Development Director Doty explained during the March 18, 2014 council work session, staff presented a recommendation by the Parks and Trails Commission to consider a purchase of land south of Berrywood Park. This sale of land was proposed by the owner as part of a purchase agreement package with two other parcels the City wanted to acquire for the College Road and Cypress Drive turn land and future realignment of Forthun Road. The consensus of the council was to decline the land purchase.

Adjournment

MOTION by Council Member Cross, seconded by Council Member Nystrom to adjourn at 6:44 p.m. Motion carries unanimously.

Approved by:

Respectfully submitted,

Darrel Olson
Mayor

Kelly Steele
Assistant City Administrator/Clerk