City of Blaine
City Council Workshop

November 17, 2025 | 5:30 PM
Blaine City Hall
10801 Town Square Drive NE
Blaine, MN 55449

AGENDA

NOTICE OF WORKSHOP MEETING
In accordance with the provisions of Section 3.01 of the Blaine City Charter, a Council Workshop meeting is scheduled for the following purpose:

1. Call to Order

2. Roll Call

3. New Business

3.1. 2025-251 Wetland Banking
Sponsors: Daniel Schluender, Director of Engineering

3.2. 2025-252 Utility Franchise Fees
Sponsors: Jason Zimmerman, Finance Director

4. Other Business

5. Adjournment

City of Blaine
Staff Report

File Number: 2025-251

Agenda Date	Status
November 17, 2025	

In Control	File Type
City Council	Workshop Item

New Business - Daniel Schluender, Director of Engineering

Agenda Item # 3.1

Wetland Banking

Background

Staff will present on the history of wetland banking within the city of Blaine.

Wetland banking involves conducting restoration within existing wetlands. Once pre-established restoration methods, such as restoring hydraulic function and increasing plant diversity, have been documented onsite due to the restoration efforts, credits based on the acreage of restored wetland are then released to the bank owner to sell to offset development of other wetlands within the community.

The EDA first began the wetland banking process in the early 2000's by creating a wetland bank within what is now known as Blaine Wetland Sanctuary. Proceeds from credit sales along with credits themselves were used to encourage economic development throughout the city. All major work has been completed and all credits have been sold.

This was followed by the open space fund beginning a second bank located within the Blaine Wetland Sanctuary. Proceeds from credit sales from this bank are used to fund projects within the city's open spaces. Monitoring and management of this site is currently in process, with about half the total restoration credits achieved.

The city then investigated a third bank within Pioneer Park, which was ultimately not pursued.

The EDA currently owns two adjacent parcels that may be a candidate for a future wetland bank.

Staff Recommendation

Questions for Council

Attachment List

1. Council Workshop Presentation - Wetland Bank

Wetland Bank Discussion

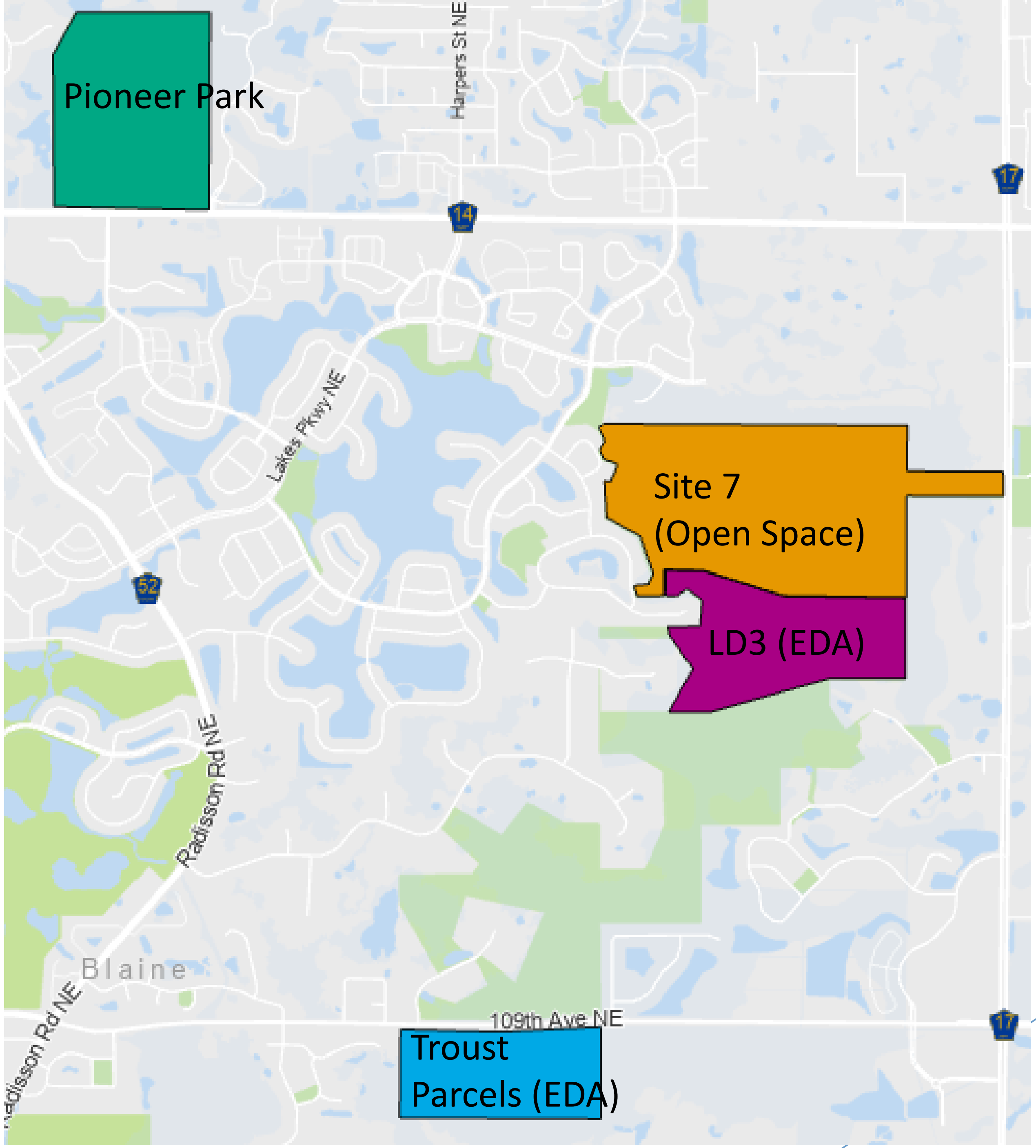
Dan Schluender, City Engineer

Megan Hedstrom, Stormwater Coordinator

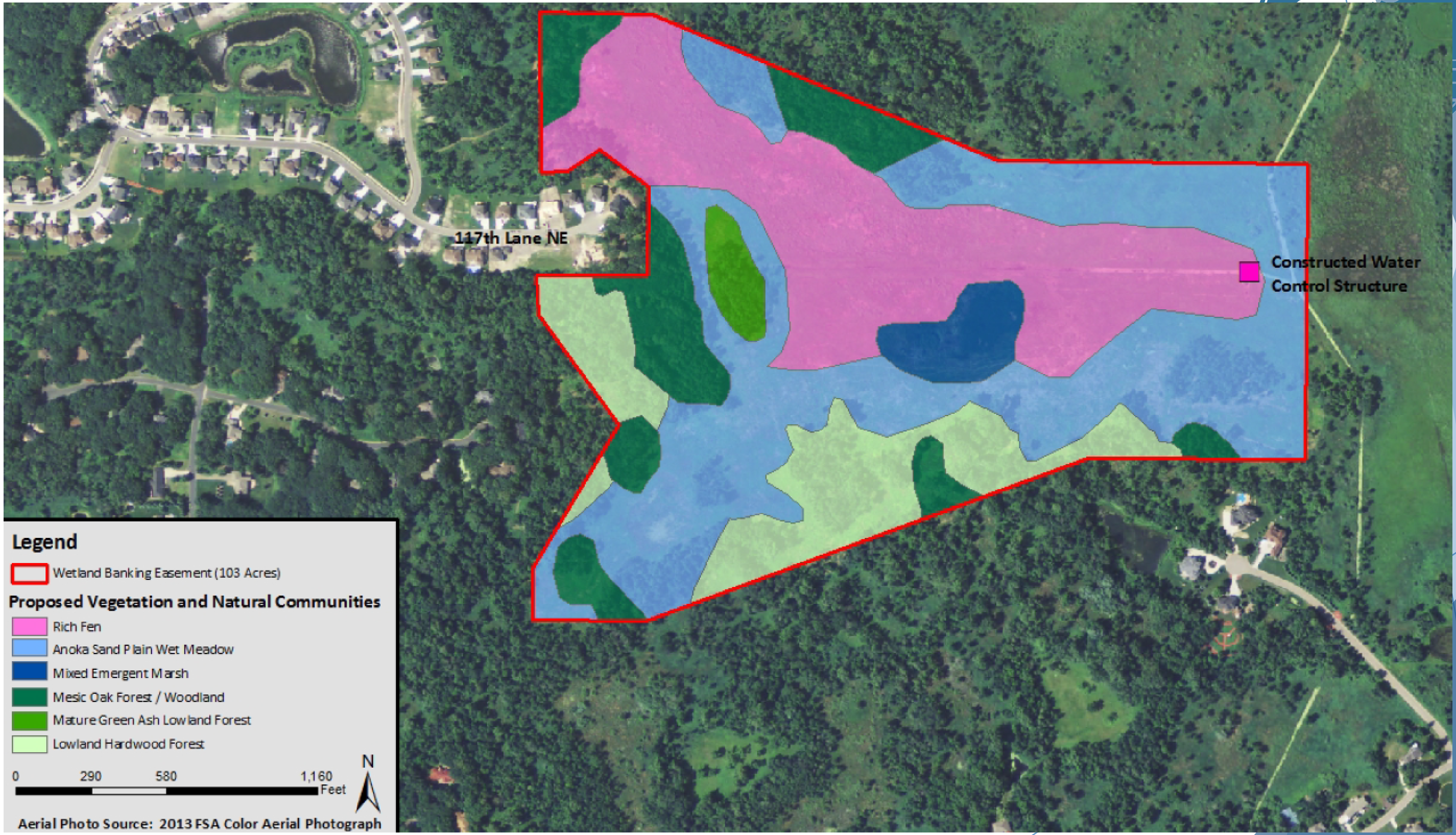
Presentation

- History and Status of EDA Bank
- History and Status of Site 7
- History of Pioneer Park
- Troust Parcel

MAP


Pioneer Park
Harpers St NE
14
17
Lakes Pkwy NE
Site 7
(Open Space)
52
LD3 (EDA)
Radisson Rd NE
Blaine
109th Ave NE
17
Radisson Rd NE
Troust
Parcels (EDA)

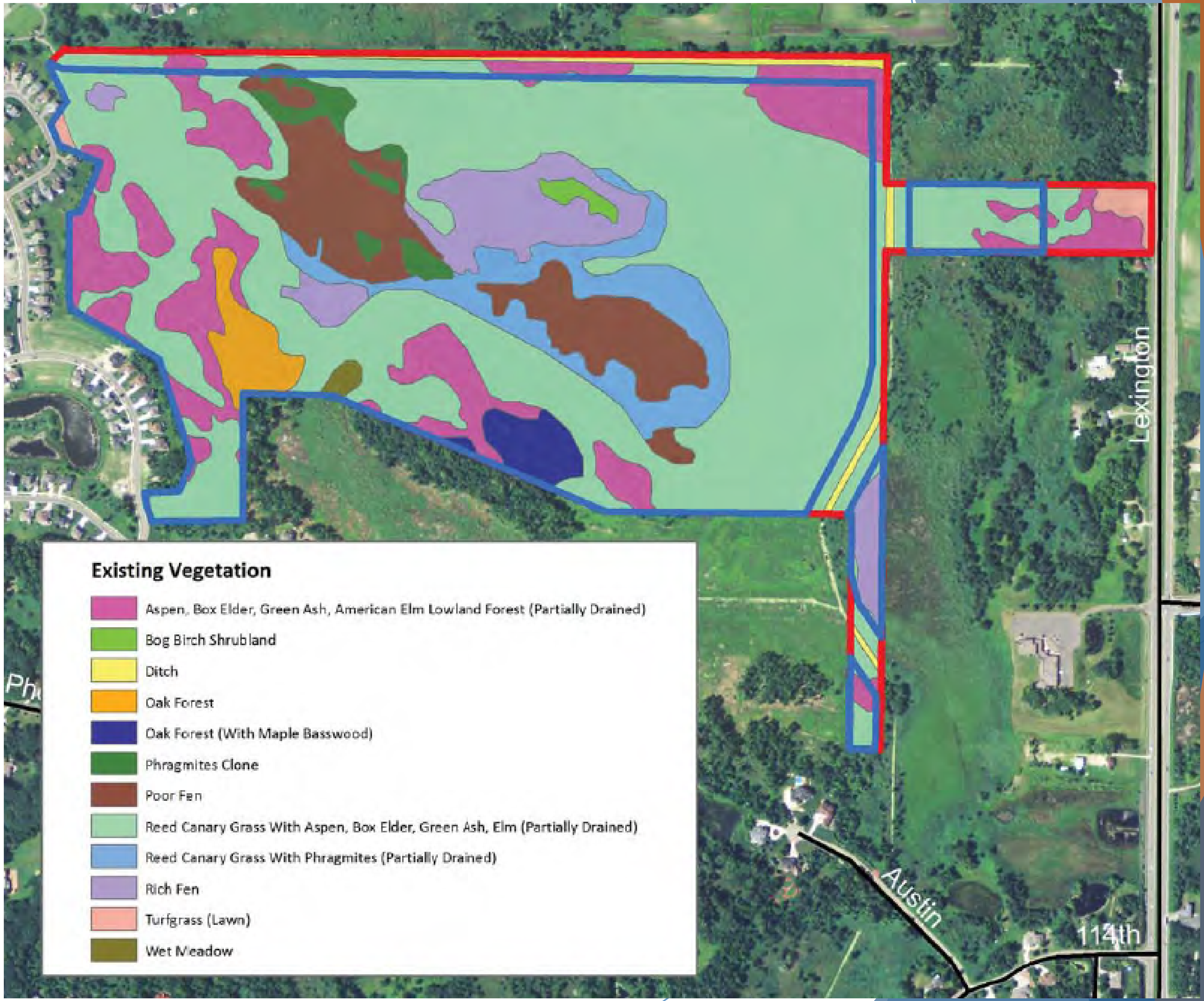
Map of EDA LD3



EDA Bank (LD3)

- Began in 2008
- All work is complete at this banking location. Final credit sale occurred in 2023
- Site management will be conducted annually
    - Minimum work, invasive species management

Map of site 7


Existing Vegetation
Aspen, Box Elder, Green Ash, American Elm Lowland Forest (Partially Drained)
Bog Birch Shrubland
Ditch
Oak Forest
Oak Forest (With Maple Basswood)
Phragmites Clone
Poor Fen
Reed Canary Grass With Aspen, Box Elder, Green Ash, Elm (Partially Drained)
Reed Canary Grass With Phragmites (Partially Drained)
Rich Fen
Turfgrass (Lawn)
Wet Meadow
Lexington
Austin
114th

Site 7 Timeline

- Original application process began in 2014
- Work began on site over the winter of 2016-2017
- Work was then stopped due to tree removal
- Project was restarted in 2019 with new tree removal limits
- 5 years of restoration and monitoring from 2018-2022
- 2023 monitoring was conducted,
  - No report submitted
- New consultant contract in 2024

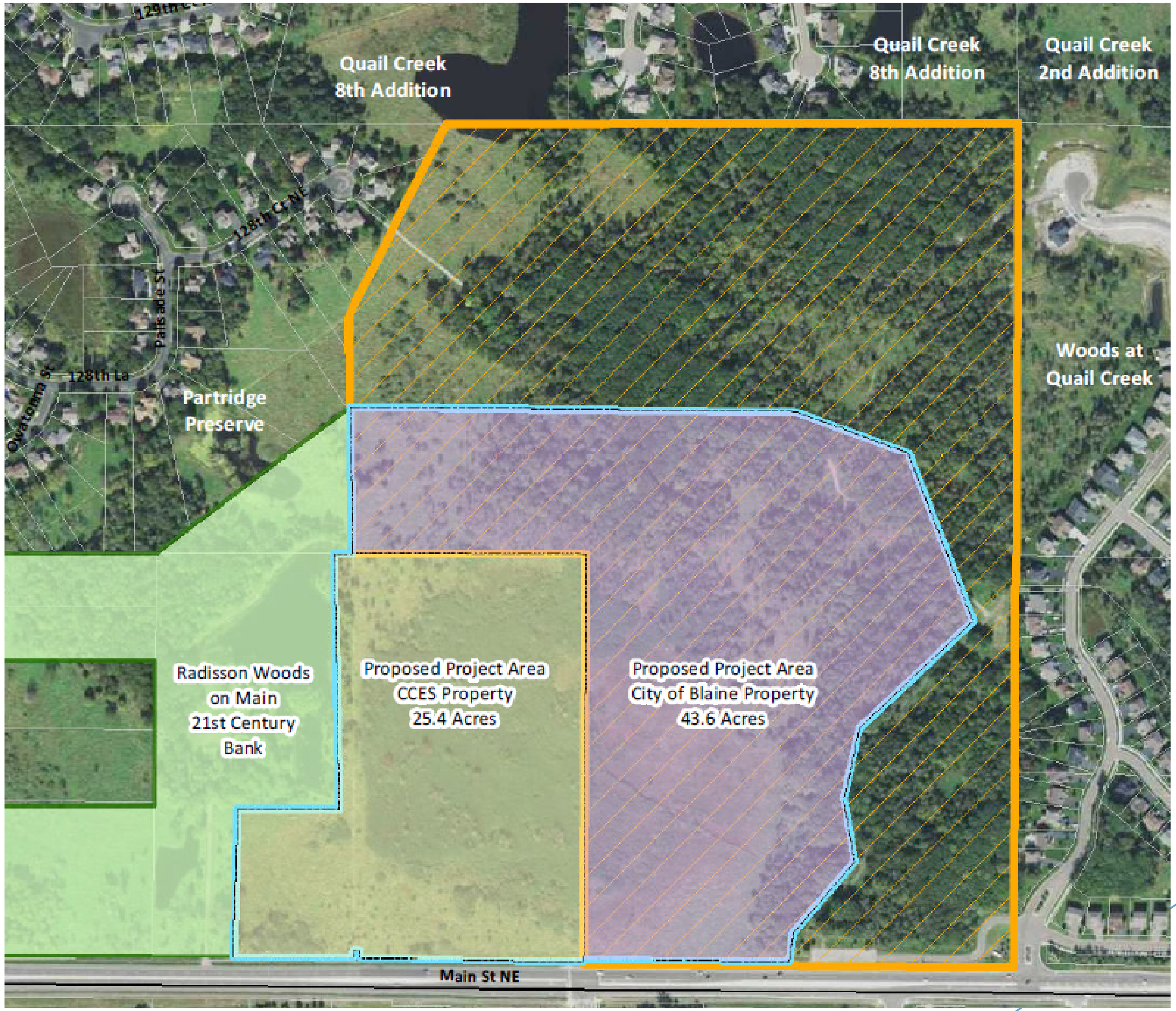
Credit Release Progress / Timeline

Type of Wetland Credit	Final Projected Credits	UpBuff%	Initial Release	Interim 1 Vegetation Performance Standards	Interim 2 Vegetation Performance Standard	Final Veg PS & Approval Final Del Rpt	Totals
Sedge Meadow (Type 2)	42.6300						
Sedge Meadow (Type 2) Rich Fen	28.3199		4.2480	4.2480	12.7440	7.0800	28.3199
Sedge Meadow (Type 2) Poor Fen	14.3101		2.1465	2.1465	6.4395	3.5775	14.3101
Wet Meadow (Type 2)	34.6600		5.1990	5.1990	15.5970	8.6650	34.6600
Wet Meadow (Type 2)	0.4900		0.0735	0.0735	0.2205	0.1225	0.4900
Sedge Meadow (Type 2)	1.7977	55%	0.2697	0.2697	0.8090	0.4494	1.7977
Wet Meadow (Type 2)	1.4522	44%	0.2178	0.2178	0.6535	0.3631	1.4522
Wet Meadow (Type 2)	0.0301	1%	0.0045	0.0045	0.0135	0.0075	0.0301
No Credit	0.0000		0.0000	0.0000	0.0000		0.0000
	81.0600		12.1590	12.1590	36.4770	20.2650	81.0600
	81.0600						

Future

- Option 1: Continue restoration efforts.
  - Could achieve ~41 more credits, a potential profit of roughly $4.5 million
- Option 2: Minimal maintenance and "walk away"
  - Receive bank close out deposit of ~11 credits ($1.2 million)
  - Leave ~30 credits unachieved
- Staff will bring back costs associated with Option 1 for Council discussion in 2026.

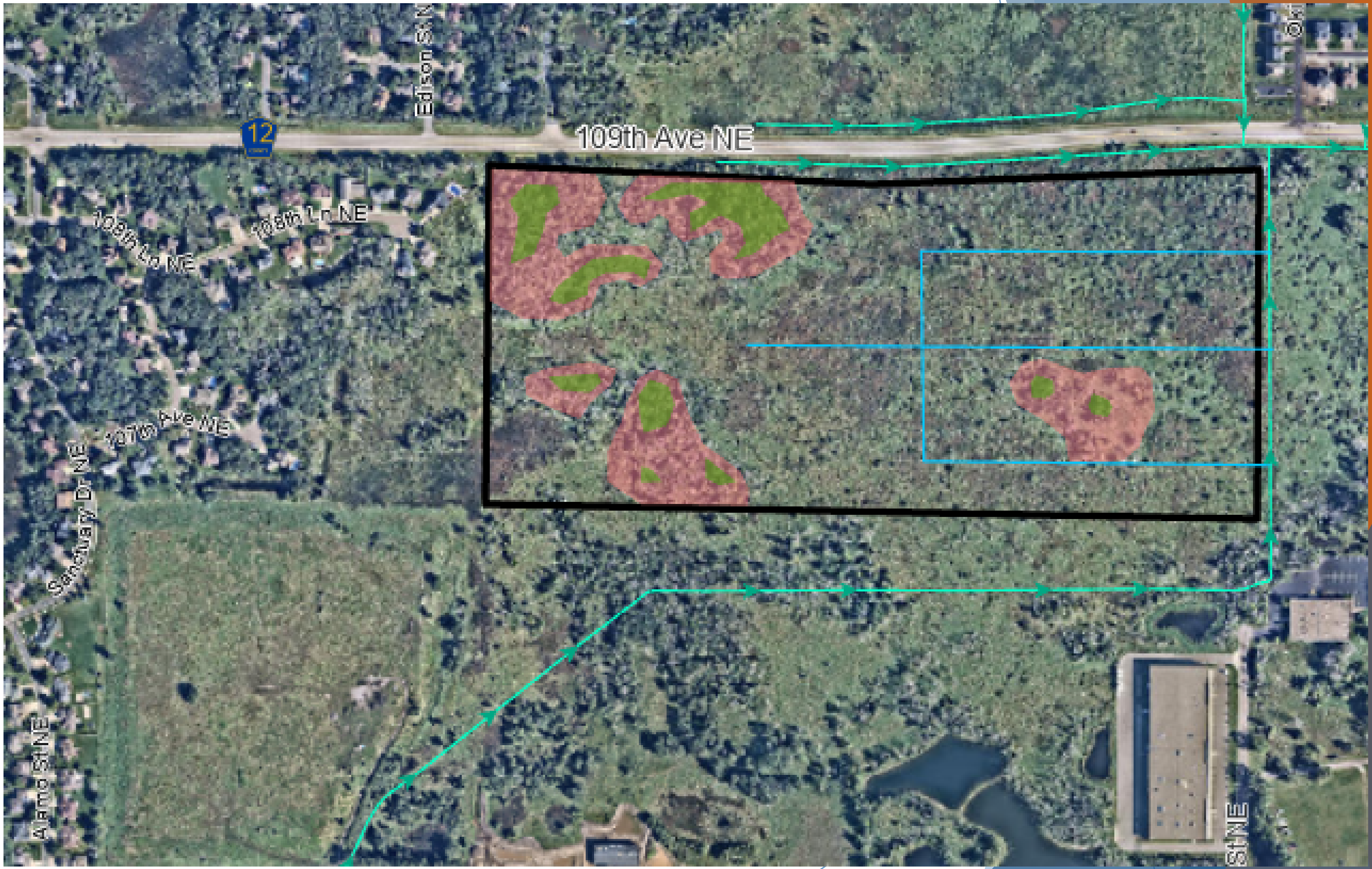
Map of Pioneer Park



Pioneer Park

- Draft prospectus process began in 2018
- Public notification of wetland bank application in 2020
- Project stopped in 2020 due to Council decision
- Reintroduced in 2022 to Council
- Approvals issued during prospectus process expired in 2025
- Cost was $100,000

Map of Troust Parcels



Potential Wetland Bank

- Compared to Pioneer Park
  - Size – 67 acres v 80 acres
  - Cost
  - Issues
    - Tree removal will be necessary
    - Drainage system is unique compared to past banks
- Questions
  - Identify a funding source
  - Council direct staff to advance project or to stop here

COST COMPARISON TABLE

Bank	Permitting	Monitoring and Restoration	Maintenance	Credits	Year
LD3 (EDA)	$23,000	$455,000	$20,000	54.83	2007-2024
Site 7 (Open Space)	$70,000	$820,000	0	40 / 81	2014-2025
Pioneer Park (Did not proceed)	$100,000	0	0	25	2018-2020
Troust Parcels (EDA –future?)	$150,000 - $200,000	0	0	TBD	2027-?

City of Blaine
Staff Report

File Number: 2025-252

Agenda Date	Status
November 17, 2025	
In Control	**File Type**
City Council	Workshop Item

New Business - Jason Zimmerman, Finance Director

Agenda Item # 3.2

Utility Franchise Fees

Background

At the January 13 and September 8 Workshops, staff presented the City Council with information on utility franchise fees as an alternative revenue source designated to reduce the strain on the city's tax levy. The Council subsequently directed staff to further explore this option.

The interim City Manager and Finance Director met with all gas and electric utility providers in Blaine. They include CenterPoint Energy (gas), Xcel Energy (gas and electric), Connexus (electric) and Centennial Utilities (gas). The purpose of the meetings was to inform the utility companies about Blaine's potential desire to establish franchise fees, discuss the process for establishing said fee, and obtain data from the utility companies.

Utility providers, like those for gas and electricity, are required by Minnesota law to deliver services that are safe, adequate, and efficient. To do this, they often need to use public areas like roads and sidewalks, which are known as public rights-of-way.

Because cities are responsible for managing these rights-of-way, they often create franchise agreements with utility companies. A franchise agreement is a contract that gives a utility company the right to install, maintain, and repair its equipment within a city's public grounds or rights-of-way. In Minnesota, cities have broad authority under state law to negotiate these agreements, which are formalized as ordinances.

Per Appendix C "Franchises" of Blaine's City Code of Ordinances, five separate franchise agreements are currently in effect for natural gas and electric utility distribution, each with a 20-year term:

- Article I. - Natural Gas Franchise (Minnegasco Company): Established by Ordinance 21-2478 on August 16, 2021

- Article II. - Natural Gas Franchise (City of Circle Pines): Established by Ordinance 18-2401 on March 15, 2021
- Article IV. - Natural Gas Franchise (Northern States Power Company): Established by Ordinance 98-1710 on May 21, 1998 (Expired)
- Article V. - Electric Distribution System and Transmission Lines (Anoka Electric Cooperative): Established by Ordinance 98-1698 on March 5, 1998 (Expired)
- Article VI. - Electric Distribution System and Transmission Lines (Northern States Power Company): Established by Ordinance 98-1699 on March 5, 1998 (Expired)

In order to continue the delivery of these utility services and ensure uniform provisions, staff have begun the process of meeting with providers to review existing agreements in preparation for renegotiating with Northern States Power Company (Xcel Energy) and Anoka Electric Cooperative (Connexus Energy). In order to establish a franchise fee, current agreements need to be in place with all utility providers.

Per Minnesota Statute 216B.36, a city may impose a franchise fee on a gas or electric utility for the use of the public right-of-way by adopting an ordinance that establishes fee terms, including structure, collection, schedule and effective dates. Historically, the City has not imposed its authority to collect franchise fees related to these utility services, presented at the September 8, and the January 13, 2025, City Council Workshops and in subsequent budgetary discussions.

There is no cap on the fee rate and the fees can be used for any public purpose. Cities have the option of imposing a flat fee (e.g., $3 per month) or a percentage fee (e.g., 3 percent) based on utility usage. These fees can vary between residential customers and various commercial customer types. While a flat fee is constant from month-to-month, a percentage-based fee varies seasonally.

When comparing franchise fees as a revenue source to property taxes, advantages include:

- Local control of processes and fee structure.
- Wider customer base than property taxes.
- Inclusion of tax-exempt properties.
- Diversification of the city's revenue sources.
- Reliable source of revenue.
- New construction would contribute immediately, which would eliminate the one-to-two-year lag for the City to receive property taxes for property owners receiving municipal services.

Some disadvantages of franchise fees include:

- Unlike cable franchise fees paid only by subscribers, everyone must pay since gas and electricity are essential services.
- Significant administrative time is required to establish franchise fees and implement them concurrently.
- Potential resistance from utility providers to implement fees proposed by the city.

The fact that franchise fees are used by other cities is not intended to suggest that Blaine should automatically follow suit simply because others have. Rather, it highlights that franchise fees are a widely accepted and effective tool that many cities rely on to support both operational and capital needs. As the City Council considers strategies to address rising costs and potential tax levy increases, franchise fees represent a practical and commonly used option worth consideration.

Franchise Fee Analysis

The table below details comparable cities' franchise fee rates for both electric and gas:

Electric								
City	Residental	Small C&I Non-Demand	Small C&I Demand	Large C&I	Public Street Lighting	Municipal Pumping Non-Demand	Municipal Pumping Demand	Effective Date
Apple Valley	3.00%	3.00%	3.00%	3.00%	-	-	-	03/2025
Bloomington	$5.95	$11.90	$63.00	$182.00	-	-	-	01/2024
Brooklyn Park	$7.00	$7.50	$45.00	$160.00	-	-	-	03/2016
Burnsville	$8.00	$28.80	$80.00	$468.00	-	-	-	09/2020
Coon Rapids	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	04/2018
Eagan	$1.85	$10.00	$10.00	$20.00	-	-	-	06/2023
Eden Prarie	$6.50	$8.50	$20.50	$89.50	-	-	-	05/2023
Edina	4.00%	4.00%	4.00%	4.00%	-	-	-	01/2025
Lakeville	$6.00	$16.00	$35.00	$120.00	-	-	-	04/2025
Maple Grove	-	-	-	$0.00	-	-	-	N/A
Minnetonka	$4.50	$4.50	$13.50	$45.00	-	-	-	01/2019
Plymouth	$3.53	$5.31	$17.71	$70.85	-	-	-	04/2024
St. Louis Park	$6.75	$12.00	$48.50	$148.50	-	$12.00	$48.50	01/2022
Woodbury	$3.25	$3.50	$23.00	$90.00	-	-	-	01/2022

Gas								
City	Residental	Com-A Less than 1,500 therms/yr	Com/Ind B 1,500 > or < 5,000 therms/yr	Com/Ind C > 5,000 therms/yr	Small Volume Dual Fuel A < 120,000 therms/yr	SVDF B > 120,000 therms/yr	Large Volume Firm & Dual Fuel >1,999 therms Peak Day	Effective Date
Apple Valley	3.00%	3.00%	3.00%	3.00%	$35.00	$35.00	$35.00	03/2025
Bloomington	$5.95	$11.90	$11.90	$63.00	$63.00	$63.00	$182.00	01/2024
Brooklyn Park	$7.00	$6.50	$20.00	$70.00	$160.00	$160.00	$160.00	03/2016

Burnsville	$4.00	$12.00	$40.00	$180.00	$180.00	$180.00	$180.00	09/2020
Coon Rapids	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	04/2018
Eagan	$1.85	$10.00	$10.00	$10.00	$10.00	$10.00	$20.00	06/2023
Eden Prarie	$6.50	$8.50	$20.50	$89.50	$89.50	$89.50	$89.50	05/2023
Edina	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	01/2025
Lakeville	$6.00	$16.00	$35.00	$120.00	$120.00	$120.00	$120.00	04/2025
Maple Grove	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	N/A
Minnetonka	$4.50	$4.50	$13.50	$45.00	$45.00	$45.00	$45.00	01/2019
Plymouth	$3.53	$5.31	$17.71	$70.85	$70.85	$70.85	$70.85	03/2024
St. Louis Park	$6.75	$6.75	$12.00	$48.50	$48.50	$48.50	$148.50	06/2021
Woodbury	$1.75	$10.00	$10.00	$100.00	$100.00	$100.00	$55.00	01/2022

The model below estimates Blaine's potential annual utility franchise fee revenue by applying the fee structure/franchise rider (not the actual revenue) of comparable communities with Blaine's estimated meter counts and customer classifications.

City Fee Structure	Revenue — Gas	Revenue — Electric	Blaine's Potential Revenue
Apple Valley	$840,000	$1,420,000	$2,260,000
Bloomington	$2,510,000	$3,380,000	$5,890,000
Brooklyn Park	$2,890,000	$3,360,000	$6,250,000
Burnsville	$2,800,000	$4,880,000	$7,680,000
Coon Rapids/Edina	$1,129,655	$2,270,000	$3,399,655
Eagan	$830,000	$960,000	$1,790,000
Eden Prairie	$2,870,000	$2,740,000	$5,610,000
Lakeville	$2,970,000	$2,950,000	$5,920,000
Minnetonka	$1,1860,000	$1,850,000	$3,710,000
Plymouth	$1,750,000	$1,620,000	$3,370,000
St. Louis Park	$2,620,000	$3,390,000	$6,010,000
Woobury	$1,360,000	$1,600,000	$2,960,000

Based on the comparison of electric and gas franchise riders from various cities, the City of Lakeville was selected as the most suitable model to meet Blaine's current financial needs. Lakeville’s rates were recently adopted and reflect existing market conditions, potentially leading to a more expedient approval path with regulatory authorities. As a community similar in size and characteristics, it also provides a relevant and reliable benchmark for analysis.

Using Lakeville's rates as a reference, the estimated annual revenue is approximately $5.9 million—an amount that aligns closely with Blaine's planned annual debt/levy portion of pavement management programming as outlined in the preliminary 2026-2030 Capital Improvement Plan. The flat-rate model does not fluctuate from year to year, unlike taxes which are based on property values that change every year. It would provide a consistent rate that residential, commercial and industrial property owners can rely on. It would be equally spread across all gas and electric users, including tax-exempt properties such as schools, churches and nonprofits that also benefit from city services. The flat-rate model also offers a stable and predictable fee structure, creating a consistent revenue stream to support the city's annual budget. Establishing franchise fees at this level would significantly reduce the need for borrowing in future years.

While the modeled fee arrangement may not benefit all properties equally, franchise fees typically represent a less significant financial burden compared to taxation. Per the table below, which is based on the current 2025 tax levy, the median valued residential property, average valued residential property, a small commercial user with a $1 million property, and a large commercial user with a $4 million property are all better off financially from the implementation of franchise fees rather than increasing the tax levy. This shows equity in implementation, and doesn't create an undue burden on any one property classification. Under the franchise rates and customer projections noted above, it is estimated that the majority of residents and businesses would experience a reduced financial burden relative to ongoing borrowing for capital projects, which would otherwise increase pressure on the property tax levy.

Utility Franchise Fee to Levy Comparison						
Property/Customer Type	Franchise Fees				Annual Levy	Additional Cost if Levied and no Utility Franchise Fee
	Monthly Fee — Electric	Monthly Fee — Gas	Monthly Total	Annual Total		
$339K Residential - Median	$6.00	$6.00	$12.00	$144.00	$161.61	$(17.61)
$362K Residential Average	$6.00	$6.00	$12.00	$144.00	$177.18	$(33.18)
Small Commercial - $1 Million	$35.00	$35.00	$70.00	$840.00	$977.32	$(137.32)
Large Commercial — $4 Million	$120.00	$120.00	$240.00	$2,880.00	$4,023.52	$(1,143.52)

Franchise fee revenues can be utilized to support a variety of community needs and capital improvements. Common applications include investments in street and trail systems, such as mill and overlay projects and full street reconstructions. Some cities choose to allocate these funds toward the maintenance and enhancement of trails and sidewalks. In addition to transportation related projects, communities have directed franchise fee funds toward broader infrastructure improvements, including the construction or renovation of public facilities such as police stations, fire halls, and city hall buildings. While less common, franchise fees have also supported climate and sustainability initiatives, including implementation of climate action plans and other efforts aimed at improving environmental sustainability and community resilience.

If franchise fees are implemented in 2026, the annual debt levy would likely not be impacted until 2029. This timeline would allow sufficient time for full implementation, a complete year of revenue collection to validate budget projections, and prudent commitment of funds toward project spending. As a reminder, if bonding occurs in 2026, taxes will be collected in 2027, and the first debt service payment would be due in 2028.

Final Considerations

The City Council maintains decisive fiscal control over gas and electric franchise fees, utilizing them to compensate the municipality for utility use of public rights-of-way while securing a stable source of revenue. The Council is tasked with establishing a strategic balance between the needs of government and the financial impact on utility ratepayers and the property tax levy. Responsible governance requires the Council to continuously review the balance of revenues collected to provide city services, ensure transparency in the collection process, and strategically align these revenues with the community's long-term stability and development goals. This ensures the fees fulfill their intended purpose without creating an undue burden on residents and businesses.

Staff Recommendation

Questions for Council

Does Council want to continue with implementation of franchise fees and the proposed fee structure?

Attachment List

1. Gas and Electric Franchise Fees Presentation

Gas and Electric Franchise Fees

Council Workshop| Finance

11/17/25

Background

- In recent budget cycles, Council has expressed a strong interest in identifying and pursuing new revenue opportunities beyond the property tax levy.
- January 13: representatives from Baker Tilly, the city's municipal advisor, provided information on alternative revenue sources.
- September 8: staff presented Council with existing franchise agreements and the viability of establishing franchise fees.
- Through the summer city staff met with gas and electric utility providers to review existing agreements and gather information regarding customer counts.

Utility Franchise Basics

- Utility providers, like those for gas and electricity, are required by Minnesota law to deliver services that are safe, adequate, and efficient.
  - To do this, they often need to use public areas like roads and sidewalks, which are known as public rights-of-way.
- Because cities are responsible for managing these rights-of-way, they often create franchise agreements with utility companies.
- In Minnesota, cities have broad authority under state law to negotiate these agreements, which are formalized as ordinances.

Slide 3

Utility Franchise Agreements

- A franchise agreement sets expectations between a city and a utility company, including how it constructs, operates, and maintains equipment located in public grounds and rights-of-way.
- Franchise agreements can also address services like tree trimming and roadway restoration when a utility project is complete.
- In addition to the conditions in franchise agreements, cities may require utilities to obtain permits for work within the right-of-way.

Utility Provider Communication

- Staff have met with all providers to review existing franchise agreements in preparation for renegotiating with:
  - CenterPoint Energy – Gas
  - Centennial Utilities - Gas
  - Connexus Energy – Electric
  - Xcel Energy – Electric & Gas

- A city may impose a franchise fee on a gas or electric utility for the use of the public right-of-way by adopting an ordinance that establishes fee terms, including structure, collection, schedule and effective dates.
  - Blaine has not previously imposed its authority to collect related franchise fees.

- To establish a franchise fee, agreements need to be in place with all utility providers.
  - Must be applied uniformly by all providers.

Slide 5

Blaine Franchise Ordinances

- Per Appendix C "Franchises" of Blaine's City Code of Ordinances, five separate franchise agreements are currently in effect for natural gas and electric utility distribution, each with a 20-year term:
  - Article I. - Natural Gas Franchise (Minnegasco Company): Established by Ordinance 21-2478 on August 16, 2021
  - Article II. - Natural Gas Franchise (City of Circle Pines): Established by Ordinance 18-2401 on March 15, 2021
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  - Article VI. - Electric Distribution System and Transmission Lines (Northern States Power Company): Established by Ordinance 98-1699 on March 5, 1998 (Expired)

"Pros" of Franchise Fees

- Local control of processes and fee structure.
- Wider customer base than property taxes.
- Inclusion of tax-exempt properties.
- Diversification of the city's revenue sources.
- Consistent and reliable revenue stream.
- Avoids higher property taxes in the future.
- No administration costs.
- New construction would contribute immediately, which would eliminate the one-to-two-year lag for the city to receive property taxes for property owners receiving municipal services.

Slide 7

"Cons" of Franchise Fees

- Unlike cable franchise fees paid only by subscribers, everyone must pay since gas and electricity are essential services.
- Significant administrative time is required to establish franchise fees and implement them concurrently.
- Potential resistance from utility providers to implement fees proposed by the city.

Exempt Property Types

- Cemeteries
- Public Hospitals
- Educational Institutions
- Religious Institutions
- Public Charities
- Government Property
- Transitional Housing
- Wetland Native Prairies

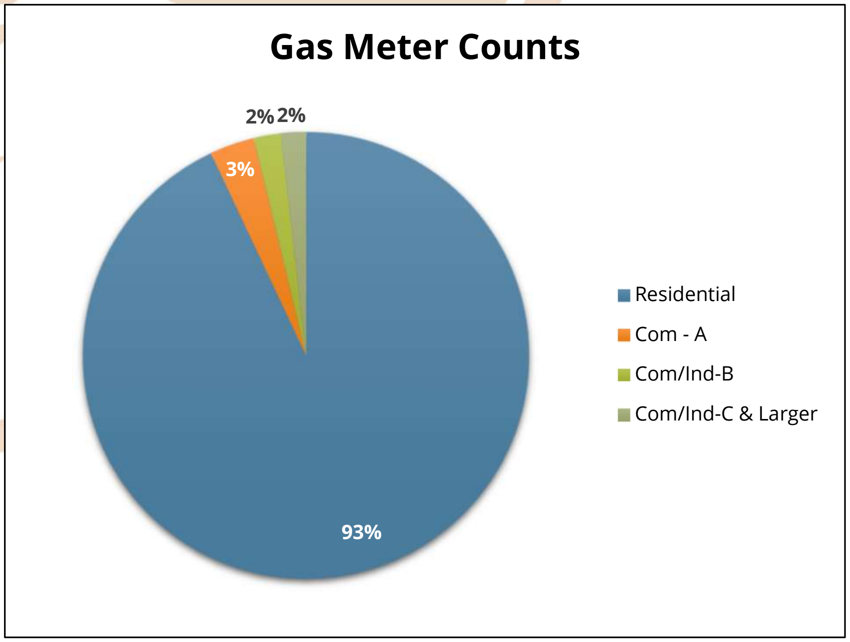
ANOKA COUNTY-BLAINE AIRPORT

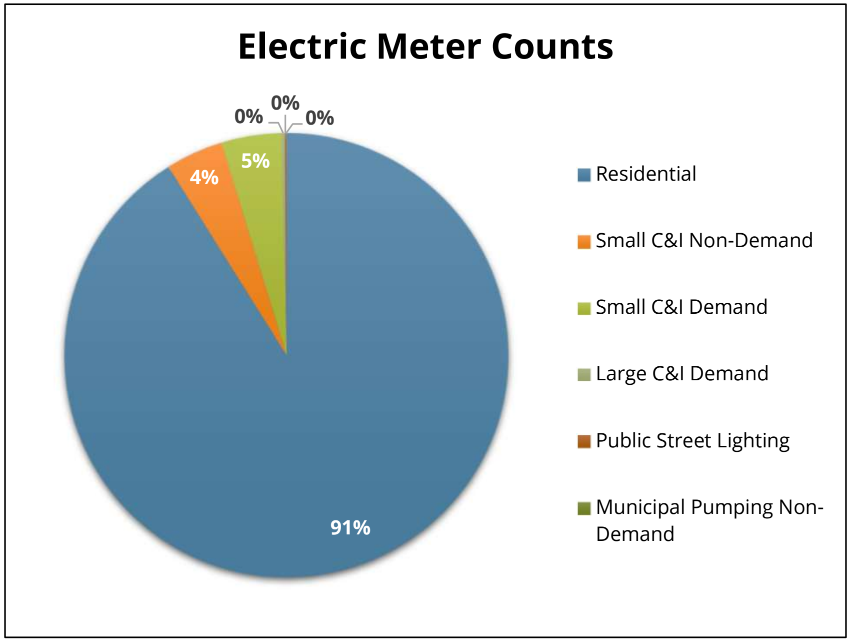
ESTIMATED MARKET VALUE $110 MILLION

NATIONAL SPORTS CENTER

ESTIMATED MARKET VALUE $69 MILLION

City of Blaine's Meter Counts





Gas	
Meter Type	**Meter Count**
Residential	26,764
Com - A	933
Com/Ind-B	563
Com/Ind-C & Larger	518
Total	28,778

Electric	
Meter Type	**Meter Count**
Residential	28,170
Small C&I Non-Demand	1,295
Small C&I Demand	1,351
Large C&I Demand	77
Public Street Lighting	28
Municipal Pumping Non-Demand	2
Total	30,923

Comparative City Riders - Electric

Franchise Fees - Electric								
City	Residential	Small C&I Non-Demand	Small C&I Demand	Large C&I	Public Street Lighting	Municipal Pumping Non-Demand	Municipal Pumping Demand	Effective Date
Apple Valley*	3.00%	3.00%	3.00%	3.00%	—	—	—	03/2025
Bloomington	$5.95	$11.90	$63.00	$182.00	—	—	—	01/2024
Brooklyn Park	$7.00	$7.50	$45.00	$160.00	—	—	—	03/2016
Burnsville	$8.00	$28.80	$80.00	$468.00	—	—	—	07/2025
Coon Rapids*	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	04/2018
Eagan	$1.85	$10.00	$10.00	$20.00	—	—	—	06/2023
Eden Prairie	$6.50	$8.50	$20.50	$89.50	—	—	—	05/2023
Edina	4.00%	4.00%	4.00%	4.00%	—	—	—	01/2025
Lakeville	$6.00	$16.00	$35.00	$120.00	—	—	—	04/2025
Maple Grove	—	—	—	—	—	—	—	N/A
Minnetonka	$4.50	$4.50	$13.50	$45.00	—	$4.50	$4.50	01/2019
Plymouth	$3.53	$5.31	$17.71	$70.85	—	—	—	04/2024
St. Louis Park	$6.75	$12.00	$48.50	$148.50	—	$12.00	$48.50	06/2021
Woodbury	$3.25	$3.50	$23.00	$90.00	—	—	—	01/2022

*Limits apply

Comparative City Riders - Gas

Franchise Fees - Gas								
City	Residential	Com-A Less than 1,500 therms/ yr	Com/Ind B 1,500 > or < 5,000 therms/yr	Com/Ind C > 5,000 therms/yr	Small Volume Dual Fuel A < 120,000 therms/yr	SVDF B > 120,000 therms/yr	Large Volume Firm & Dual Fuel >1,999 therms Peak Day	Effective Date
Apple Valley	3.00%	3.00%	3.00%	$35.00	$35.00	$35.00	$35.00	03/2025
Bloomington	$5.95	$11.90	$11.90	$63.00	$63.00	$63.00	$182.00	01/2024
Brooklyn Park	$7.00	$6.50	$20.00	$70.00	$160.00	$160.00	$160.00	03/2016
Burnsville	$4.00	$12.00	$40.00	$180.00	$180.00	$180.00	$180.00	09/2020
Coon Rapids	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	01/1992
Eagan	$1.85	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	06/2023
Eden Prairie	$6.50	$8.50	$20.50	$89.50	$89.50	$89.50	$89.50	05/2023
Edina	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	01/2025
Lakeville	$6.00	$16.00	$35.00	$120.00	$120.00	$120.00	$120.00	04/2025
Maple Grove	—	—	—	—	—	—	—	N/A
Minnetonka	$4.50	$4.50	$13.50	$45.00	$45.00	$45.00	$45.00	01/2019
Plymouth	$3.53	$5.31	$17.71	$70.85	$70.85	$70.85	$70.85	03/2024
St. Louis Park	$6.75	$6.75	$12.00	$48.50	$48.50	$48.50	$148.50	06/2021
Woodbury	$1.75	$10.00	$10.00	$100.00	$100.00	$100.00	$55.00	01/2022

Comparative Cities Revenue

City Fee Structure	Revenue - Gas	Revenue - Electric	Blaine's Potential Revenue
Apple Valley	$ 840,000	$ 1,420,000	$ 2,260,000
Bloomington	$ 2,510,000	$ 3,380,000	$ 5,890,000
Brooklyn Park	$ 2,890,000	$ 3,360,000	$ 6,250,000
Burnsville	$ 2,800,000	$ 4,880,000	$ 7,680,000
Coon Rapids/Edina	$ 1,129,655	$ 2,270,000	$ 3,399,655
Eagan	$ 830,000	$ 960,000	$ 1,790,000
Eden Prairie	$ 2,870,000	$ 2,740,000	$ 5,610,000
Lakeville	$ 2,970,000	$ 2,950,000	$ 5,920,000
Minnetonka	$ 1,860,000	$ 1,850,000	$ 3,710,000
Plymouth	$ 1,750,000	$ 1,620,000	$ 3,370,000
St. Louis Park	$ 2,620,000	$ 3,390,000	$ 6,010,000
Woodbury	$ 1,360,000	$ 1,600,000	$ 2,960,000

Revenue data is based on Blaine's meter accounts and data reported by utility companies paired with the fee structure of each comparable city.

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Why Lakeville?

- **Recently Adopted Rates:** Lakeville was chosen since its rates were recently adopted and reflect current market conditions.
- **Comparable City:** Similar-sized, comparable community - making it a relevant model for analysis
- **Flat-Rate Fee Model:** The flat-rate fee structure provides a stable and predictable revenue stream to support annual budgeting
- **Capital Project Costs:** On average, the pavement management capital improvement financing gap is approximately $6 million per year, underscoring the need for consistent borrowing.

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Proposed Rates vs Levy Comparison

- Based on the analysis, implementing a franchise fee provides broader benefits for both residential and commercial customers.
- Under this approach, both groups experience cost savings compared to generating the same level of revenue through an increase to the levy.
- Proposed rate commitment of at least 5 years.

	Franchise Fees				Levy	
Customer	Monthly Fee - Electric	Monthly Fee - Gas	Monthly Total	Annual Total	Annual Levy Increase	Impact
$339K Residental - Median	$ 6.00	$ 6.00	$ 12.00	$ 144.00	$ 161.61	$ (17.61)
$362K Residental - Average	$ 6.00	$ 6.00	$ 12.00	$ 144.00	$ 177.18	$ (33.18)
Small Commerical - $1 Million	$ 35.00	$ 35.00	$ 70.00	$ 840.00	$ 977.32	$ (137.32)
Large Commerical - $4 Million	$ 120.00	$ 120.00	$ 240.00	$ 2,880.00	$ 4,023.52	$ (1,143.52)

Utilization of Funds

- Common uses (in order of anecdotal observation):
  - **Street and Trail Systems**: Projects including mill & overlays and full street reconstruction. Some cities also use these funds for maintaining and improving trails and sidewalks.
  - Infrastructure Improvements: Public facilities and infrastructure, such as police stations, fire halls, and city hall buildings.
  - Climate and Sustainability Initiatives: Supporting climate action plans and other sustainability efforts.

Fund Summary Comparison

Pavement Management Plan Fund - 503

Without Franchise Fees

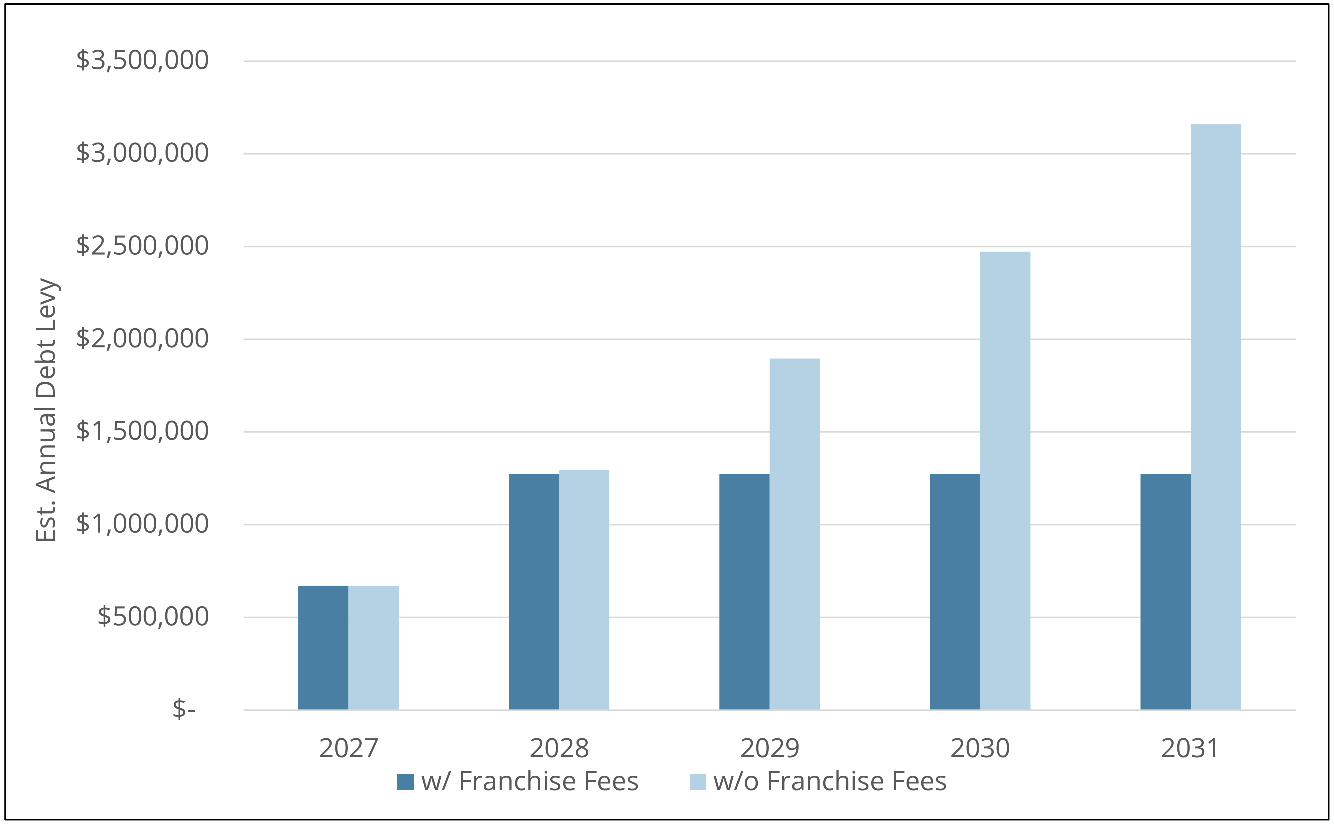
	2024 Budget	2025 Budget	2026 CIP	2027 CIP	2028 CIP	2029 CIP	2030 CIP
Revenues							
Electric Franchsie Fees	-	-	-	-	-	-	-
Gas Franchise Fees	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
GO Bond Proceeds	10,147,425	5,156,000	5,749,700	6,241,600	6,094,100	6,130,000	6,341,300

With Franchise Fees

	2024 Budget	2025 Budget	2026 CIP	2027 CIP	2028 CIP	2029 CIP	2030 CIP
Revenues							
Electric Franchsie Fees	-	-	737,500	2,950,000	2,950,000	2,950,000	2,950,000
Gas Franchise Fees	-	-	742,500	2,970,000	2,970,000	2,970,000	2,970,000
Total Revenues	2,475,000	2,200,000	1,880,000	6,820,000	6,320,000	6,320,000	6,820,000
GO Bond Proceeds	10,147,425	5,156,000	5,749,700	4,041,600	-	-	-

Implementation of franchise fees reduces the reliance on bonding over time.

Annual Debt Levy for Pavement Mgmt 2026-2030 CIP (New)



- Model based on first collection in fourth quarter 2026
- Recommend one year of full collection before committing funds for capital activities
- **Anticipates 2028 projects to be primarily funded with franchise fees**

Questions for Council

- Does Council want to continue with the implementation of franchise fees and the proposed fee structure?

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