City of Blaine
City Council Workshop

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

MINUTES

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

The meeting was called to order by Mayor Sanders at 5:30PM.

2. Roll Call

PRESENT: Mayor Tim Sanders, Councilmembers Terra Fleming, Chris Ford, Leslie Larson, Chris Massoglia, Tom Newland, and Jess Robertson.

ABSENT: None.

Quorum Present.

ALSO PRESENT: City Manager Erik Thorvig; Community Development Director Sheila Sellman; Safety Services Director/Police Chief Brian Podany; Deputy Police Chief Joe Gerhard; Finance Director Jason Zimmerman; Director of Administrative Services Scott Johnson; Parks and Recreation Director Jerome Krieger; Director of Engineering Dan Schluender; Stormwater Coordinator Megan Hedstrom; Public Works Director Nick Fleishhacker; Accounting Manager Haley Chapman; Accountant Kristine Keyes; City Attorney Tom Loonan; Communications Manager Ben Hayle; and City Clerk Catherine Sorensen.

3. New Business

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

Director of Engineering Schluender stated 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. It was noted the EDA currently owns two adjacent parcels that may be a candidate for a future wetland bank. Staff provided further information regarding the history of the wetland banks in the city and discussed the value of pursuing another 30 acres in wetland credits.

Mr. Thorvig reported the trail system through the wetland sanctuary was presented to the council several months ago and the council opted to not proceed with this project because it would draw down funding in the open space account to a very low level. He explained if the council were to proceed with the wetland bank, this would provide a funding source for the trail system. He asked that staff speak to who has purchased the wetland credits in the past.

Mr. Schluender stated wetland credits have been purchased by developers and housing developers in the north metro along with larger blocks of credits being purchased by MNDOT and BWSR.

Councilmember Larson asked what would need to be done in order to get the remaining 30 acres to respond to treatment. Mr. Schluender provided further comment on the treatment process for restoring wetlands, noting the reed canary grass had to be eradicated. He stated there were new herbicides that would hopefully target invasive plant species such as reed canary grass.

Councilmember Larson indicated she had concerns with how the herbicides and chemicals being used to treat the wetlands were impacting the city's drinking water. Mr. Schluender reported the herbicide treatments were superficial noting the city was drawing its water from 400+ feet underground.

Councilmember Newland questioned what type of trees needed to be removed. Mr. Schluender stated it was his understanding that the buckthorn, aspen, box elder, ash, willow, and dogwood had to be removed. He reported only the oak trees are to remain.

Councilmember Massoglia asked when the last maintenance was done in Site 7. Stormwater Coordinator Hedstrom reported this was last done in 2022.

Councilmember Massoglia inquired why maintenance has not been done since 2022. Mr. Schluender explained staff believed they would be getting maintenance and monitoring from the consultant in 2023 and this did not occur. He reported no funds were paid for this work. He stated from 2023 to 2024, staff evaluated the city's path forward.

Councilmember Massoglia stated it was now the end of 2025 and no maintenance has been done on the wetland sanctuary for three years.

Councilmember Robertson indicated she was also frustrated by the fact the city sat for four years on this untapped revenue potential. She asked if these frustrations should be focused at an outside consultant and asked who was responsible for the monitoring and maintenance of the wetland bank. Mr. Schluender reported the engineering department was responsible and this was under his direction.

Councilmember Robertson questioned why there was a three-year gap in the maintenance and why had the city not pursued the remaining 11 acres of wetland credits. Mr. Schluender stated the remaining 11 credits have strings attached and could not be realized until the entire bank was finished. However, if the city wanted to pursue the additional 30 acres, then the 11 acres were not accessible to the city.

Councilmember Robertson asked who the city's former consultant was. Mr. Schluender reported this was Critical Connections Environmental Services (CCES).

Councilmember Robertson inquired if the city still had good working relationships with the regulatory agencies needed to complete the wetland banking as she feared there were issues with some of the regulatory agencies as they had offered to manage the wetland bank. She noted she would be speaking with staff regarding this topic further.

Mr. Thorvig reported staff was not aware of this concern, nor has this concern been voiced to city staff.

Councilmember Massoglia thanked staff for their candor. He stated an NRCB member told him that the city stands to lose credits as well as having to pay back credits if the wetlands were not maintained. He inquired if the city was at risk of having to pay back money at this time. Mr. Schluender stated if the city were to walk away at this time, money would have to be paid back. He indicated the city had a plan in place to ensure this does not happen.

Councilmember Massoglia stated he would be interested in knowing what the financial penalty would be if the city were to walk away from the wetland banking. Mr. Schluender reported there would be no penalty for the remaining 30 acres, just on the 40 acres that have been treated. He indicated the city would not be occurring any penalties at this time because a plan was in place for the further maintenance and treatment of the wetlands.

Councilmember Robertson indicated the wetland bank would have to be maintained in perpetuity in order for the city to avoid penalties going forward.

Mr. Schluender provided the council with further information on the potential of creating another wetland bank in Pioneer Park. He stated tree removal was completed in Pioneer Park and the neighborhood was actively involved in this project. He reported in 2020 the council stopped pursuing this project. He noted staff brought the project back in 2022 for further consideration and council's direction was to not pursue the project any further. He noted all preliminary documentation and approvals for the draft application for the Pioneer Park wetland bank expired in 2025. He asked if the council wanted staff to pursue a wetland bank for the 80-acre Trost site.

Mr. Thorvig noted this site was purchased in the late 2010s by the EDA and explained this site would be extremely expensive and difficult to develop.

Councilmember Larson asked how much the EDA paid for this property. She inquired if trails could run through the site if the wetland banking were pursued. Mr. Schluender indicated trails and connection points could be pursued. Mr. Thorvig reported the EDA paid $1.95 million for the 80-acre site.

Councilmember Massoglia questioned when this topic would be brought back to the council for further consideration. Mr. Schluender stated the Site 7 report should be completed by the end of November and staff could bring this item back to the council for additional discussion in January 2026.

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

Finance Director Zimmerman stated 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.

Mr. Zimmerman reported 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. 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.

Mr. Zimmerman commented on 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. Staff reviewed the utility franchise fees that were being charged by Lakeville. As the council considers strategies to address rising costs and potential tax levy increases, franchise fees represent a practical and commonly used option worth consideration.

Mayor Sanders thanked staff for the detailed presentation and for pointing out there was a $6 million gap in the city's pavement management plan that the proposed utility franchise fees could assist with filling. He appreciated the fact the funds generated from the franchise fees could be tied to a core city function. Mr. Zimmerman commented further on how the city's reliance on bonding could be eliminated if the franchise fees were pursued. He noted if franchise fees were pursued the first collection would be in the fourth quarter of 2026.

Councilmember Newland supported the city moving forward with utility franchise fees. He stated the financial impact to the city would be significant. He discussed how a potential municipal cannabis dispensary could also assist with taking pressure off the city's levy, which would greatly benefit Blaine taxpayers. He recommended the city move forward with utility franchise fees as soon as possible.

Councilmember Newland inquired how the franchise fee would be explained to homeowners. Mr. Zimmerman reported the utility companies would explain the new fee on the utility bill was being charged by the city. He stated the new fee would be a separate line item on each utility bill. Mr. Thorvig explained the city would also be holding public hearings regarding this matter.

Councilmember Ford questioned if residents would know the difference between this fee and a levy increase. He indicated if the franchise fee were to move forward he was inclined to support a dollar rate for budgeting purposes. Mr. Thorvig discussed how a levy increase of $5.9 million would impact residents versus a franchise fee that would collect $5.9 million. He stated it was better for the rate payers to have this fee collected through a franchise fee versus increased property taxes.

Councilmember Fleming reported she appreciated how the city would be saving future bonding and interest fees if the franchise fee were to move forward. She commented further on how a broader base of users would be contributing to the city's revenues if the franchise fee were pursued.

Councilmember Massoglia stated he supported the city moving forward with utility franchise fees. He indicated he supported a flat rate fee being charged and how often the city would evaluate the rate being charged. Mr. Zimmerman anticipated this would have to be done every year or two.

Council consensus was to direct staff to continue exploring utility franchise fees.

4. Other Business

None.

5. Adjournment

The workshop adjourned at 6:57PM.

Signed by ______________________________
Tim Sanders, Mayor

Signed by ______________________________
Catherine M. Sorensen, City Clerk