

CITY COUNCIL WORK SESSION

Bemidji, Minnesota

July 18, 2005

Pursuant to due call and notice, the Bemidji City Council met in a Work Session on Monday, July 18, 2005, at 5:30 p.m. in the Conference Room of City Hall, Mayor Lehmann presiding

The following Councilmembers were present: Downs, Erickson, Markeson, Lehmann, Hellquist, Johnson, Meuers

Staff members present: Minke, Eischens, Brand, Sherman

Others present: Jim Strommen Attorney with Kennedy & Graven of Minneapolis

Mayor Lehmann called the meeting to order and introduced Jim Strommen.

Minke noted that the purpose of the meeting was to gather information regarding gas and electric franchise fees. He noted that the current contracts with Aquila and Otter Tail Power will expire in the near future and staff needs direction from the Council to renegotiate those contracts with or without fees.

Strommen reaffirmed the City's right under State Statutes to charge franchise fees, and suggested that the City may even be able to modify current franchise contracts. He provided an overview of fee options including:

- a. Percentage of gross revenue (PGR) – traditional design and the most common. The utility collects a percentage of its gross revenues derived from operations in the city. Largest customers are hardest hit.
- b. Meter fee. A fixed monthly amount is charged to meters installed at customer premises. Favored by utilities over the PGR or usage based fee – most accepted by customers. The City has the ability to modify in economic hardships.
- c. Usage Fee. This uses a predetermined rate for a fee based on customer usage. Fee is not a predictable revenue source for City – more administratively complicated.

Lehmann asked whether the funds must be used for anything in particular. Strommen said they could be used for virtually any legal use.

Johnson thought the fees should be tied to infrastructure improvements or operations and maintenance of parks - the public would probably be more accepting of those purposes. He would like to stop taking funds for street rehab from Liquor Fund. He also suggested that the fee should be reevaluated after a few years.

Discussion followed regarding Uniform Right of Way Management. Strommen suggested that regardless of what the city does with fees, the Council should look at establishing a Uniform Right of way management.

Following discussion, Council reached consensus to move forward to negotiate gas and electric franchise fees.

Motion by Johnson, second by Downs, to direct staff to work with Jim Strommen of Holmes and Graven to investigate rate design options, determine projected revenues, and identify projects or uses for funds. Motion carried by the following vote: Ayes: Downs, Erickson, Lehmann, Hellquist, Johnson, Meuers. Nays: Markeson.

There being no further business, motion by Meuers second Downs to adjourn the meeting – 6:20 p.m.

Respectfully submitted,

Shirley Sherman,
City Clerk