



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

JOINT CITY COUNCIL / PUC MEETING
AGENDA
Thursday, April 18, 2024
4:00 PM

CALL TO ORDER: Pursuant to due notice and call thereof, a Joint meeting of the Grand Rapids City Council and Grand Rapids PUC will be held on Thursday, April 18, 2024 at 4:00 PM in City Hall Council Chambers, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL:

ADMINISTRATION:

1. Review Local Utility Preservation Resolution
2. Discuss Capital Infrastructure Project Funding
3. Legionella and Drinking Water Update

ADJOURNMENT:

ATTEST:

Kimberly Gibeau, City Clerk



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: April 18, 2024

AGENDA ITEM: Local Utility Preservation Resolution

PREPARED BY: Julie Kennedy, General Manager

BACKGROUND:

At the October 10, 2023 joint meeting of the City Council and GRPUC, GRPU General Manager introduced the concept of adopting a resolution pertaining to Mn Stat. 412.321 Municipal Utilities creation and/or abandonment. Both Council and Commission agreed it was worth investigating and asked staff to bring the topic back for discussion at the next joint meeting.

As background, the follows is an article from MMUA in the Jan 2023 Resources:

*...MMUA filed comments in the proceeding to inform the MN Public Utilities Commission (MN PUC) that North Branch had not held a referendum as state law requires before a municipal utility can cease operation. Unfortunately, the MN PUC approved the utilities' petition despite MMUA's efforts. Given two minutes to speak on the filing she submitted on the Association's behalf, MMUA General Counsel Kaela Brennan explained to the Commissioners that MMUA's intention was not to interfere with local decision making. Rather, the decision belonged to the people of North Branch, and the map should not be changed until they had their opportunity to make that decision with their votes. The filing also noted that in 2016 the city put a measure on the ballot to disband the utility commission, and it failed. The PUC, however, agreed with one commissioner's reading of Minnesota Statutes Section 412.321, subdivision 4, that a municipal electric utility can be leased, sold, or discontinued by passage of an ordinance or resolution by the city council, **or** by approval of two-thirds of electors voting at a general or special election. MMUA argued that the statute requires that such ordinance or resolution must be passed by a city council **and** must also be approved by two-thirds of electors at an election...*

Attached is the MN Statute that shows a voter referendum is required to establish a municipal utility and that we believe a referendum of the voters should be required to abandon or sell a municipal utility. In light of the MN PUC's recent decision-making, Minnesota municipal

utilities and their cities are considering adopting a resolution at the local level committing to a referendum of the voters. Attached is a draft resolution for consideration.

RECOMMENDATION:

Review and discussion of the draft resolution to be considered at a future City Council meeting. No action to be taken at this meeting.

412.321 MUNICIPAL UTILITIES.

Subdivision 1. **Authority to own and operate.** Any statutory city may own and operate any waterworks, district heating system, or gas, light, power, or heat plant for supplying its own needs for utility service or for supplying utility service to private consumers or both. It may construct and install all facilities reasonably needed for that purpose and may lease or purchase any existing utility properties so needed. It may, in lieu of providing for the local production of gas, electricity, water, hot water, steam, or heat, purchase the same wholesale and resell it to local consumers. After any such utility has been acquired, the council, except as its powers have been limited through establishment of a public utilities commission in the city, shall make all necessary rules and regulations for the protection, maintenance, operation, extension, and improvement thereof and for the sale of its utility products.

Subd. 2. **Vote on establishment.** No gas, light, power, or heat utility shall be constructed, purchased, or leased until the proposal to do so has been submitted to the voters at a regular or special election and been approved by five-eighths of those voting on the proposition. Such proposal shall state whether the public utility is to be constructed, purchased, or leased and the estimated cost or the maximum amount to be expended for that purpose. This proposal and a proposal to issue bonds to raise money therefor may be submitted either separately or as a single question. The proposal for the acquisition of the public utility may include authority for distribution only or for generation or production and distribution of a particular utility service or group of services. Approval of the voters shall be obtained under this section before a city purchasing gas or electricity wholesale and distributing it to consumers acquires facilities for the manufacture of gas or generation of electricity unless the voters have, within the two previous years, approved a proposal for both generation or production and distribution.

Subd. 3. **Extension beyond limitations.** Any city may, except as otherwise restricted by this section, extend any such public utility outside its limits and furnish service to consumers in such area at such rates and upon such terms as the council or utility commission, if there is one, shall determine; but no such extension shall be made into any incorporated municipality without its consent. The sale of electricity, other than surplus, outside the limits of the city shall be subject to the restriction of section 455.29.

Subd. 4. **Lease, sale, or abandonment.** Any such utility may be leased, sold, or its operation discontinued wholly or in part, by ordinance or resolution of the council, approved by two-thirds of the electors voting on the ordinance or resolution at a general or special election. If the utility is under the jurisdiction of a public utilities commission, the ordinance or resolution shall be concurred in by the public utilities commission. Such action may be taken with respect to any specific part of the utility, which part shall be named in the ordinance or resolution; but it shall not be necessary to submit the ordinance or resolution to the voters in such case if the action proposed will not result in depriving any customer inside the corporate limits of any type of municipal utility service available before the sale, lease or discontinuance of operation.

History: 1949 c 119 s 39-42; 1955 c 266 s 1; 1961 c 275 s 1; 1973 c 123 art 2 s 1 subd 2; 1981 c 334 s 2; 1986 c 444

AND vs. OR

RESOLUTION NO. _____

A RESOLUTION TO ACKNOWLEDGE AND PROTECT THE RIGHT OF VOTERS REGARDING THE PROVISION OF UTILITY SERVICE

- (1) **WHEREAS:** Grand Rapids Public Utilities is a valuable public asset through which the City of Grand Rapids maintains and perpetuates significant self-investment and public services made currently and by past generations to promote the general welfare of City residents; and
- (2) **WHEREAS:** such investments contribute to ensuring and preserving the financial stability and fiscal integrity of the city's overall financial structure and credit rating; and
- (3) **WHEREAS:** such public services ensure reliable, affordable, and sustainable utility service to all residents and users in the City at reasonable rates subject to the control and regulation of the City; and
- (4) **WHEREAS:** access to service should be provided for all uses necessitated by all residents and entities of the City; and
- (5) **WHEREAS:** the utility and its services are vital to the continued planned and orderly growth of the City; and
- (6) **WHEREAS:** the right of the citizens of Grand Rapids to determine the disposition of their municipal utilities through referendum is protected due to enactment of 1949 Minnesota Laws Chapter 119, section 42, codified as Minnesota Statutes, Section 412.321, subdivision 4:

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GRAND RAPIDS, MINNESOTA:

The City shall continue to own and operate the City's municipal utilities through its Grand Rapids Public Utilities Commission unless and until, two-thirds of voters voting in a general or special election approve an ordinance or resolution passed by the City Council, concurred in by the Grand Rapids Public Utilities Commission, to lease or sell the utility or discontinue its operation, wholly or in part, as provided by Minnesota Statutes, Section 412.321, subdivision 4.

PASSED AND ADOPTED BY THE CITY COUNCIL OF GRAND RAPIDS, MINNESOTA, THIS _____ DAY OF _____ 20__.

Attested:

Mayor

City Clerk



GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: April 18, 2024

AGENDA ITEM: Capital Infrastructure Project Funding

PREPARED BY: Julie Kennedy, General Manager

BACKGROUND:

City and GRPU staff will provide background on the funding of capital infrastructure projects, specifically streets and utilities.

RECOMMENDATION:

Discussion of funding alternatives. No action to be taken at this meeting.

Franchise Fees to fund Capital Improvement Program

Joint Meeting
April 18, 2024

GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE



Franchise Fees

CIP Funding Options

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



Franchise Fees

CIP Funding Options

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



Franchise Fees

CIP Funding Options

3rd Ave NE - Reconstruction Project:

Total Construction cost = \$4,077,600

Non-Construction cost = \$1,330,220

Total Project cost = \$5,407,820

City share = \$3,739,977

Annual bond payment = \$350,000





Franchise Fees

CIP Funding Options

Franchise Fees - Option 1

Combination of flat fee and percentage, achieving **\$3.7 million** per year to fully fund a reconstruction program.

	Funding Option 1				
	Average Monthly Customers	Rate	Months	Yearly Total	Yearly Fee Per
Residential	4,802	\$ 18.00	12	\$1,037,232.00	\$ 216.00
	Yearly Commercial			Monthly Avg	Yearly Avg
Small Commercial, Non-D&E	\$ 50.04	28%	12	\$ 14.01	\$ 168.13
Medium Commercial, Non-D&E	\$ 231.54	28%	12	\$ 64.83	\$ 777.97
Large Commercial, Non-D&E	\$ 991.56	28%	12	\$ 277.64	\$ 3,331.64
Demand and Energy	\$ 2,537.00	28%	12	\$ 710.36	\$ 8,524.32
Commercial	\$ 9,442,900.00	28%	12	\$2,644,012.00	\$ 220,334.33
				\$ 3,681,244.00	





Franchise Fees

CIP Funding Options

Franchise Fees - Option 2

Combination of flat fee and percentage, achieving **\$350,000** per year to make annual bond payment

	Funding Option 2				
	Average Monthly Customers	Rate	Months	Yearly Total	Yearly Fee Per
Residential	4,802	\$ 1.25	12	\$ 72,030.00	\$ 15.00
	Yearly Commercial			Monthly Avg	Yearly Avg
Small Commercial, Non-D&E	\$ 50.04	3%	12	\$ 1.50	\$ 18.01
Medium Commercial, Non-D&E	\$ 231.54	3%	12	\$ 6.95	\$ 83.35
Large Commercial, Non-D&E	\$ 991.56	3%	12	\$ 29.75	\$ 356.96
Demand and Energy	\$ 2,537.00	3%	12	\$ 76.11	\$ 913.32
Commercial	\$ 9,442,900.00	3%	12	\$ 283,287.00	\$ 23,607.25
				\$ 355,317.00	





Franchise Fees

CIP Funding Options

Franchise Fees - Option 2

Fee would need to increase each year to fund new bonding.

Funding Option 2				
	Annual Total Residential	Annual Total Commercial	Total Fee Collected	Annual Residential
Year 1	\$ 72,030.00	\$ 283,287.00	\$ 355,317.00	\$ 15.00
Year 2	\$ 144,060.00	\$ 566,574.00	\$ 710,634.00	\$ 30.00
Year 3	\$ 216,090.00	\$ 849,861.00	\$ 1,065,951.00	\$ 45.00
Year 4	\$ 288,120.00	\$ 1,133,148.00	\$ 1,421,268.00	\$ 60.00
Year 5	\$ 360,150.00	\$ 1,416,435.00	\$ 1,776,585.00	\$ 75.00
Year 6	\$ 432,180.00	\$ 1,699,722.00	\$ 2,131,902.00	\$ 90.00
Year 7	\$ 504,210.00	\$ 1,983,009.00	\$ 2,487,219.00	\$ 105.00
Year 8	\$ 576,240.00	\$ 2,266,296.00	\$ 2,842,536.00	\$ 120.00
Year 9	\$ 648,270.00	\$ 2,549,583.00	\$ 3,197,853.00	\$ 135.00
Year 10	\$ 720,300.00	\$ 2,832,870.00	\$ 3,553,170.00	\$ 150.00

Fee Summary at Year 10	
	Yearly Fee Per
Residential	\$ 150.00
	Yearly Avg
Small Commercial, Non-D&E	\$ 180.14
Medium Commercial, Non-D&E	\$ 833.54
Large Commercial, Non-D&E	\$ 3,569.62
Demand and Energy	\$ 9,133.20
Total Commercial	\$ 236,072.50





Franchise Fees

Annual Debt Service

Annual Debt Service									
	2024 Lev	2025 Lev	2026 Lev	2027 Lev	2028 Lev	2029 Lev	2030 Lev	2031 Lev	2032 Lev
	Payable 2025	Payable 2026	Payable 2027	Payable 2028	Payable 2029	Payable 2030	Payable 2031	Payable 2031	Payable 2032
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Levies for Infrastructure:									
2009 Improvement Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2010 Improvement Bonds	55,486	-	-	-	-	-	-	-	
Adjustment for Debt Study	(80,000)	(80,000)	(55,000)	(10,000)	-	-	-	-	
2011 Improvement Bonds	56,792	60,309	-	-	-	-	-	-	
2012 Improvement Bonds	124,376	124,165	123,784	-	-	-	-	-	
2013 Improvement Bonds	109,510	104,522	109,864	113,854	-	-	-	-	
2014 Improvement Bonds	162,032	163,345	164,363	165,077	165,476	-	-	-	
2016 Improvement Bonds	153,334	150,184	152,284	149,029	151,024	152,914	149,102	-	
2017 Improvement Bonds	172,238	167,670	168,352	168,641	168,765	168,555	168,001	167,093	
2017 Refunding Imp Bonds	-	-	-	-	-	-	-	-	
2018 Impr & CIP Bonds	143,953	140,690	142,677	144,507	140,929	137,351	144,089	139,999	
2019 GO/Abatement Bonds	138,421	135,114	137,057	133,591	136,532	134,116	136,952	134,305	
2020 GO St Reconst Bonds	166,191	163,331	165,720	168,005	164,935	167,115	165,283	168,534	
2021 Abtmnt/GO	99,566	102,939	100,918	98,897	102,126	99,960	98,385	102,060	
2021 Fire Hall GO Bonds	305,104	304,579	303,909	303,096	302,138	306,285	306,705	307,020	
2023 Sylvan Bay	234,555	215,670	214,883	213,832	217,770	215,933	219,082	220,000	
2024 Accounting Software	61,400	61,400	61,400	61,400	61,400	61,400			
2025 3rd Avenue NE	-	360,000	366,601	357,536	347,801	350,000	350,000	350,000	350,000
Total Levies-Infrastructure	\$ 1,902,958	\$ 2,173,918	\$ 2,156,813	\$ 2,067,465	\$ 1,958,895	\$ 1,793,629	\$ 1,737,599	\$ 1,589,011	
Levy (Increase)/Decrease	\$ 15,098	\$ (270,960)	\$ 17,106	\$ 89,348	\$ 108,569	\$ 165,266	\$ 56,030	\$ 148,588	\$ 313,947





Franchise Fees

Annual Debt Service

Annual Debt Service									
	2024 Lewy Payable 2025 Amount	2025 Lewy Payable 2026 Amount	2026 Lewy Payable 2027 Amount	2027 Lewy Payable 2028 Amount	2028 Lewy Payable 2029 Amount	2029 Lewy Payable 2030 Amount	2030 Lewy Payable 2031 Amount	2031 Lewy Payable 2032 Amount	
Levies for Infrastructure:									
2009 Improvement Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2010 Improvement Bonds	55,486	-	-	-	-	-	-	-	
Adjustment for Debt Study	(80,000)	(80,000)	(55,000)	(10,000)	-	-	-	-	
2011 Improvement Bonds	56,792	60,309	-	-	-	-	-	-	
2012 Improvement Bonds	124,376	124,165	123,784	-	-	-	-	-	
2013 Improvement Bonds	109,510	104,522	109,864	113,854	-	-	-	-	
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2016 Improvement Bonds	153,334	150,184	152,284	149,029	151,024	152,914	149,102	-	
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2017 Refunding Imp Bonds	-	-	-	-	-	-	-	-	
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2021 Fire Hall GO Bonds	305,104	304,579	303,909	303,096	302,138	306,285	306,705	307,020	
2023 Sylvan Bay	234,555	215,670	214,883	213,832	217,770	215,933	219,082	220,000	
2024 Accounting Software	61,400	61,400	61,400	61,400	61,400	61,400	61,400		
2025 3rd Avenue NE	-	-	-	-	-	-	-	-	
Total Levies-Infrastructure	\$ 1,902,958	\$ 1,813,918	\$ 1,790,212	\$ 1,709,929	\$ 1,611,094	\$ 1,443,629	\$ 1,387,599	\$ 1,239,011	
Lewy (Increase)/Decrease	\$ 15,098	\$ 89,040	\$ 23,707	\$ 80,283	\$ 98,834	\$ 167,465	\$ 56,030	\$ 148,588	
								\$ 663,947	





Franchise Fees **Implementation**

Implementation and Schedule:

Would be implemented when the new software system allows it (Fall 2024)

Depending on start, could eliminate the bond payment for 3rd Avenue NE from levy

Process would include the posting and adoption of a Franchise Ordinance and Franchise Fee Schedule



Franchise Fees
Joint Meeting
April 18th, 2024

Item 2.

Questions?





GRAND RAPIDS PUBLIC UTILITIES COMMISSION AGENDA ITEM

AGENDA DATE: April 18, 2024

AGENDA ITEM: Legionella and Drinking Water Update

PREPARED BY: Julie Kennedy, General Manager

BACKGROUND:

Update on the latest efforts.

RECOMMENDATION:

Update on the latest efforts.