Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall Community Room, 600 Rice Street
TUESDAY, MARCH 19, 2019

WORKSHOP TOPICS FOR DISCUSSION:

1. Strategic Plan Update (5:30 p.m.)
2. Discuss Potential Amendments to Franchise Fee Ordinances (5:45 p.m.)
3. Bar and Grill/Liquor Store Operations Update (6:15 p.m.)

City Council Workshop
City Council Agenda Report

MEETING DATE: March 19, 2019	**WORKSHOP AGENDA ITEM:** 1.
TITLE: Strategic Plan Update (5:30 p.m.)	
PREPARED BY: Jeff Dahl, City Manager	
REVIEWED BY: N/A	

DISCUSSION OBJECTIVE:
To provide a quarterly update on the major initiatives of the 2017-2020 Strategic Plan.

BACKGROUND:
Staff will be going over updates to the attached Strategic Plan summary sheet from November 2018 as there has been significant progress.

This update will be the last update until the Strategic Plan retreat later this spring.

ATTACHMENTS:
1. Strategic Plan 2017-2020 v Nov 2018

Strategic Plan 2017-2020

In April 2017, the City Council and staff held a two-day retreat to discuss organizational accomplishments, updates to the City's Mission, Vision, and Values, and to establish consensus on priorities over the next four years. Subsequently, staff drafted these objectives, goals, and initiatives in a Strategic Plan Document and the City Council adopted its Strategic Plan 2017-2020 on July 5th, 2017.

With an overall general mission to preserve and enhance the quality of life of the community in order to be the idyllic city on Lake Minnetonka to live, work, shop, and play, City Council and Staff will focus its energy on five Strategic Objectives: a strong financial foundation, efficient and effective operations, thoughtful growth, an active and healthy community, and an engaged community.

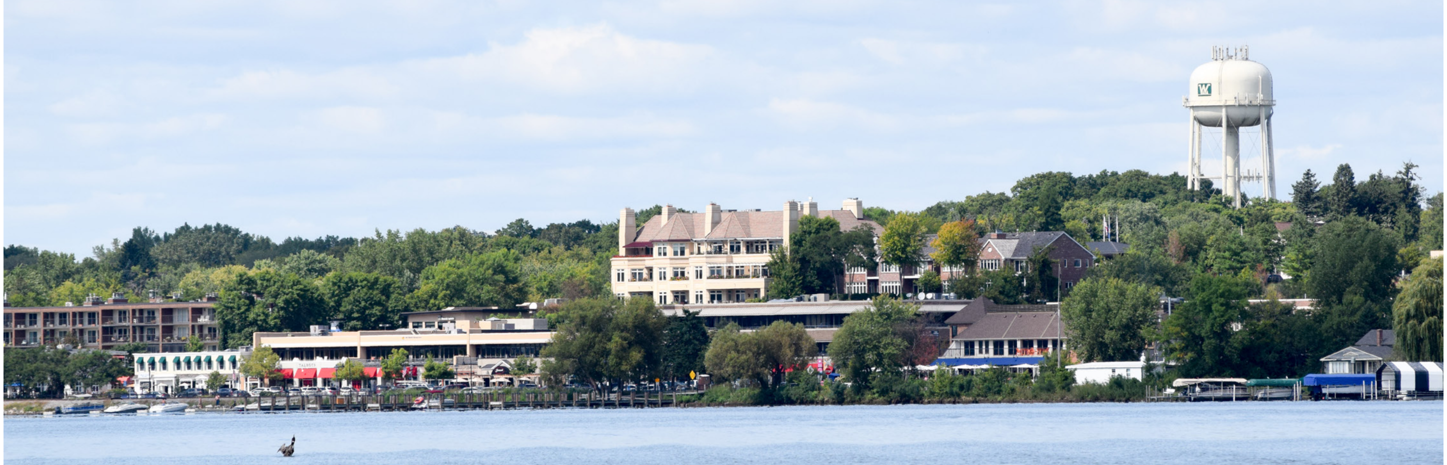
The following information provides a more thorough description of each of the five Strategic Objectives by breaking down each into several tangible goals and initiatives with projected completion dates.

✻ denotes in progress items ✓ denotes completed items ⬣ Not Started

1.0 A Strong Financial Foundation			Status
1.1 Explore Financial Sustainability of Core Services & Enterprise Operations			
1.1.1	Study and Amendments of Current Fire Department Model/Bylaws	Dec. 2019	✻
1.1.2	Update of Study of Municipal Liquor Operations	Dec. 2020	⬣
1.2 Diversify Revenue to Reduce Levy			
1.2.1	Study grant writing options & opportunities	Dec. 2019	⬣
1.2.2	Implement Special Services District	Dec. 2018	✻
1.2.3	Study Implementation of Gas Franchise Fee	Dec. 2019	⬣
1.3 Relocate Telecom Site			
1.3.1	Continue Negotiations on Lease	Dec. 2019	✻
2.0 Efficient & Effective Operations			**Status**
2.1 Expand Technology for Efficiency and Convenience			
2.1.1	Implement Paperless Council Packets	Feb. 2019	✻
2.1.2	Streamline and Digitize Permitting and Licensing Process	Dec. 2019	✻
2.1.3	Explore Electronic Bill Pay, Timesheets, and Utility Billing	Jun. 2020	✻
2.2 Optimize City Management Organization for Efficiency			
2.2.1	Study of mgmt. org. Structure, HR Practices, Processes, Staff Transition	N/A	✓
2.2.2	Implementation of New Org. Structure and HR Practices	Dec 2020	✻
2.3 Optimize Energy Conservation Opportunities for City Facilities and Equipment			
2.3.1	Complete energy audit for facilities	Dec. 2019	⬣
2.3.2	Complete energy audit for city vehicles & equipment	Dec. 2019	⬣
2.4 Continue Development of Ordinances			
2.4.1	Explore Alternative Energies Ordinance	Dec. 2020	⬣
2.5 Explore Expansion of Shared Services			
2.5.1	Police	N/A	✓
2.5.2	Fire	N/A	✓
2.5.3	Public Works	N/A	✓
2.5.4	Building Inspections	N/A	✓
3.0 Thoughtful Growth			**Status**
3.1 Develop Lake Street Vision			
3.1.1	Develop public/private development plan for Lake Street west of Barry	N/A	✻
3.1.2	Update Downtown Parking Study	Dec. 2019	⬣

3.2 Develop Master Wayfinding/Signage Plan			
3.2.1	Develop Master Wayfinding/Signage Plan for all roads/trails/gateways	Dec. 2019	⬢
3.3 Develop Branding and Marketing Campaign			
3.3.1	Develop Campaign for Organization and Broader Community	N/A	✓
3.4 Complete City Wide Traffic Study			
3.4.1	Complete Analysis of Superior/Wayzata option	N/A	✓
3.4.2	Construction of Superior/Wayzata Option	Sept. 2019	⬢
3.4.3	Other traffic issues considered in Comprehensive Plan	Dec. 2018	✓
3.4.4	Incorporate Wayzata Blvd. Corridor Study/Small Area Plan	Jun. 2020	⬢
4.0 An Active and Healthy Community			**Status**
4.1 Develop a Parks Master Plan			
4.1.1	Develop a Comprehensive Park Plan for the Community	Dec. 2018	*
4.2 Continue Lake Effect Projects			
4.2.1	Complete EAW	N/A	✓
4.2.2	Assist Lake Effect Conservancy in Fundraising Efforts	Jun. 2020	*
4.2.3	Design Lake Street/Pop Up Park Plans	Apr. 2019	*
4.2.4	Build Lake Street/Pop Up Park	Jun. 2020	⬢
4.2.5	Design Boardwalk/Eco Park Plans	Jul. 2019	*
4.2.6	Build Boardwalk/Eco Park Plans	Nov. 2020	⬢
5.0 An Engaged Community			**Status**
5.1 Complete 2040 Comprehensive Plan			
5.1.1	Incorporate Separate Public Engagement Process	N/A	✓
5.1.2	Update Traffic and Utility Information	Dec. 2018	*
5.1.3	Incorporate sustainability/Met Council Approval	Jun. 2019	*
5.1.4	Develop Development Handbook that addresses noise, trees, etc.	Dec. 18	*
5.2 Promote Volunteering/Activism at City Level			
5.2.1	Create promotion program for Boards and Commissions	N/A	✓
5.2.2	Create promotion program for various activities	N/A	✓
5.2.3	Create promotion program for Fire Fighters	N/A	✓

The Strategic Plan is a dynamic document. The City will update the Plan every six months as times, conditions, and priorities change. To learn more, please contact City Manager Jeffrey Dahl at 952-404-5309 or jdahl@wayzata.org.



v 11/01/2018

* denotes in progress items ✓ denotes completed items ⬢ Not Started

City Council Workshop
City Council Agenda Report

MEETING DATE: March 19, 2019	**WORKSHOP AGENDA ITEM:** 2.
TITLE: Discuss Potential Amendments to Franchise Fee Ordinances (5:45 p.m.)	
PREPARED BY: Jeff Dahl, City Manager	
REVIEWED BY: N/A	

DISCUSSION OBJECTIVE:

To review information regarding franchise fees and provide direction to staff as to whether a gas franchise fee, and potentially other amendments, should be pursued.

BACKGROUND:

Please see the attached memo from Consultant Finance Director Steve McDonald and corresponding information, including comparable data from the City of New Hope. Mr. McDonald will be at the meeting to walk through the information and discuss next steps.

ATTACHMENTS:

1. Franchise fee memo 03.13.19
2. Franchise Fees 06.20.16

ABDO EICK & MEYERS LLP
AEM Financial Solutions™

MEMO

TO:	JEFFREY DAHL
FROM:	STEVE MCDONALD
SUBJECT:	FRANCHISE FEE ON GAS UTILITY
DATE:	MARCH 13, 2019

Agenda Title
Discussion on gas franchise fee

Requested Action
Staff requests a discussion with the City Council on the city's franchise fees.

Policy/Past Practice
The City currently has a franchise fee for electric service that has not been modified since being established in 2010.
This will be the initial consideration for the gas franchise fee.

Background

Minnesota Statute 216B.36 allows cities to charge a utility fee to both electric and gas companies for operating in the right-of-way. The fees are intended to reimburse the city for costs incurred from utility companies digging within the right-of-way and compromising the city's infrastructure. The benefits and criticisms of franchise fees are summarized in the following table:

Benefits	Criticisms
Diversifies revenue sources	Raises customer bill
Collected from more users	Perception by public as "another tax"
Like users pay similar fees	Flat rate for all homes, regardless of value
Growth in revenue proportional to growth in business activity and development	No Exclusions
New construction contributes immediately	Opposition from non-profits
Not subject to loss of revenue resulting from loss of state aid	Not tax deductible
Local control	Requires periodic review/adjustment
Easy to administer	

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.715.3070 | Fax 952.835.3261

The City implemented an electric franchise fee in 2010 and the collections for the past 4 years, coded to the general fund, have been as follows. This fee is a flat amount and is charged to each customer and adjustments have not been made since implementing.

Year	2015	2016	2017	2018
Electric Franchise	$81,215	$83,443	$85,000	$84,834

The City is currently in the process of considering implementing an additional franchise fee for gas utilities. The intent of this fee would be to raise $100,000 to contribute to the pavement management plan or other city initiative. The city has adopted a pavement management plan to maintain the infrastructure of the city. Additional revenue sources besides the annual general fund transfer are needed to fund the pavement management plan.

Assuming the City wants to apply the same methodology to a gas franchise fee, the following table indicates what would be needed to generate approximately $100,000 in annual fees:

REVENUE PREDICTION MODEL					
Allows for a different flat fee to be assessed by each rate class (per meter)					
Rate Class	# of meters	Flat Rate Fee per Month	# months	Franchise Fee Revenue (Yearly)	Weather Normal Average annual percent for each rate class
Residential	1,406	4.25	12	$71,706	4.20%
Com - A	123	4.25	12	$6,273	7.28%
Com/Ind-B	88	7.25	12	$7,656	4.87%
Com/Ind-C, LV	100	12.25	12	$14,700	1.18%
Firm, All Dual Fuel	0	50.00	12	$0	#DIV/0!
	0	25.00	12	$0	#DIV/0!
	0	25.00	12	$0	#DIV/0!
	0	50.00	12	$0	#DIV/0!
TOTAL	1,717			$100,335	3.14%
*** Rate Class Key:**					
SVDF = Small Volume Dual Fuel			Com=Commercial		
LVDF = Large Volume Dual Fuel			Com/Ind = Commercial/Industrial		

Staff has notified CenterPoint Energy of the city's intent to potentially establish gas franchise fees, effective October 1, 2019. Changes to the franchise fee structure would take approximately four months for the utility companies to process. The schedule below outlines the proposed timeline for implementing the gas franchise fee. It would also be a good time to consider an increase to the electric fee too.

Franchise fee increase – Tentative Schedule

Item	Date
Ordinance drafted	April 1, 2019
Draft ordinance sent to utility companies to review	April 8, 2019
Set public hearing	April 16, 2019
Utility companies approve draft ordinance	April 29, 2019
Public hearing notice delivered to paper	May 3, 2019
Public hearing published in paper (11 days in advance of public hearing)	May 24, 2019
Public hearing and approval	June 4, 2019
Paperwork sent to utility companies	June 6, 2019
Utility companies notify Public Utilities Commission	June 10, 2019
60-day notification period concludes	August 9, 2019
Utility companies notify users with insert/note on bill	Last week of August, 2019
Bill increase goes into effect	October 1, 2019

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Attachments

Sample Ordinance from League of Minnesota Cities

Franchise fee implementation letter from CenterPoint Energy

ORDINANCE NO. _____

AN ORDINANCE GRANTING TO _____, A _____CORPORATION, ITS SUCCESSORS AND ASSIGNS, A NONEXCLUSIVE FRANCHISE TO CONSTRUCT, OPERATE, REPAIR AND MAINTAIN FACILITIES AND EQUIPMENT FOR THE TRANSPORTATION, DISTRIBUTION, MANUFACTURE AND SALE OF GAS ENERGY FOR PUBLIC AND PRIVATE USE AND TO USE THE PUBLIC GROUND OF THE CITY OF _____, MINNESOTA, FOR SUCH PURPOSE; AND, PRESCRIBING CERTAIN TERMS AND CONDITIONS THEREOF.

The City Council of _____, Minnesota ordains:

SECTION 1. DEFINITIONS.
For purposes of this Ordinance, the following capitalized terms listed in alphabetical order shall have the following meanings:

City. The City of _____,_____County, State of Minnesota.

City Utility System. Facilities used for providing public utility service owned or operated by the City an or agency thereof, including sewer, storm sewer, water service, street lighting and traffic signals, but excluding facilities for providing heating, lighting, or other forms of energy.

Commission. The Minnesota Public Utilities Commission, or any successor agency or agencies, including an agency of the federal government, which preempts all or part of the authority to regulate gas retail rates now vested in the Minnesota Public Utilities Commission.

Company. _____a _____ corporation, its successors and assigns including all successors or assigns that own or operate any part or parts of the Gas Facilities subject to this franchise.

Gas Facilities. Gas transmission and distribution pipes, lines, ducts, fixtures, and all necessary equipment and appurtenances owned or operated by the Company for the purpose of providing gas energy for public or private use.

Notice. A writing served by any party or parties on any other party or parties. Notice to the Company shall be mailed to _____. Notice to the City shall be mailed to _____. Any party may change its respective address for the purpose of this Ordinance by written notice to the other parties.

Public Way. Any public right-of-way within the City as defined by Minnesota Statutes, Section 237.162, subd. 3.

Public Ground. Land owned or otherwise controlled by the City for park, open space or similar public purpose, which is held for use in common by the public and not a Public Way.

SECTION 2. ADOPTION OF FRANCHISE.
2.1 **Grant of Franchise.** The City hereby grants the Company, for a period of _____years from the date this Ordinance is passed and approved by the City, the right to import, manufacture, distribute and sell gas for public and private use within and through the limits of the City as its boundaries now exist or as they may be extended in the future. For these purposes, the Company may construct, operate, repair and maintain Gas Facilities in, on, over, under and across the Public Ways and Public Grounds, subject to the provisions of this Ordinance. The Company may do all reasonable things necessary or customary to accomplish these purposes, subject however, to such reasonable regulations as may be imposed by the City pursuant to ordinance or permit requirements and to the further provisions of this franchise agreement.

2.2 **Effective Date; Written Acceptance.** This franchise shall be in force and effect from and after its passage of this Ordinance and publication as required by law and its acceptance by the Company. If the Company does not file a written acceptance with the City within 60 days after the date the City Council adopts this Ordinance, or otherwise informs the City, at any time, that the Company does not accept this franchise, the City Council by resolution may revoke this franchise, seek its enforcement in a court of competent jurisdiction or pursue other remedies in law or in equity.

2.3. **Service and Gas Rates.** The service to be provided and the rates to be charged by the Company for gas service in the City are subject to the jurisdiction of the Commission.

2.4. **Publication Expense.** The Company shall pay the expense of publication of this Ordinance.

2.5. **Dispute Resolution.** If either party asserts that the other party is in default in the performance of any obligation hereunder, the complaining party shall notify the other party of the default and the desired remedy. The notification shall be written. Representatives of the parties must promptly meet and attempt in good faith to negotiate a resolution of the dispute. If the dispute is not resolved within 30 days of the written notice, the parties may jointly select a mediator to facilitate further discussion. The parties will equally share the fees and expenses of this mediator. If a mediator is not used or if the parties are unable to resolve the dispute within 30 days after first meeting with the selected mediator, either party may commence an action in District Court to interpret and enforce this franchise or for such other relief as may be permitted by law or equity.

*2.6. **Continuation of Franchise.** If the City and the Company are unable to agree on the terms of a new franchise by the time this franchise expires, this franchise will remain in effect until a new franchise is agreed upon, or until 90 days after the City or the Company serves written Notice to the other party of its intention to allow the franchise to expire. However, in no event shall this franchise continue for more than one year after expiration of the ____year term set forth in Section 2.1.*

SECTION 3. LOCATION, OTHER REGULATIONS.

3.1. **Location of Facilities.** Gas Facilities shall be located, constructed, and maintained so as not to interfere with the safety and convenience of ordinary travel along and over Public Ways and so as not to disrupt normal operation of any City Utility System. Gas Facilities may be located on Public Grounds as determined by the City. The Company's construction, reconstruction, operation, repair, maintenance, location and relocation of Gas Facilities shall be subject to other reasonable regulations of the City consistent with authority granted the City to manage its Public Ways and Public Grounds under state law, to the extent not inconsistent with a specific term of this franchise.

3.2. **Street Openings.** The Company shall not open or disturb the surface of any Public Way or Public Ground for any purpose without first having obtained a permit from the City, if required by a separate ordinance, for which the City may impose a reasonable fee. Permit conditions imposed on the Company shall not be more burdensome than those imposed on other utilities for similar facilities or work. The Company may, however, open and disturb the surface of any Public Way or Public Ground without a permit if (i) an emergency exists requiring the immediate repair of Gas Facilities and (ii) the Company gives telephone, email or similar notice to the City before commencement of the emergency repair, if reasonably possible. Within two business days after commencing the repair, the Company shall apply for any required permits and pay any required fees.

3.3. **Restoration.** After undertaking any work requiring the opening of any Public Way, the Company shall restore the Public Way in accordance with Minnesota Rules, part 7819.1100 and applicable City ordinances consistent with law. The Company shall restore the Public Ground to as good a condition as formerly existed, and shall maintain the surface in good condition for six months thereafter. All work shall be completed as promptly as weather permits, and if the Company shall not promptly perform and complete the work, remove all dirt, rubbish, equipment and material, and put the Public Ground in the said condition, the City shall have, after demand to the Company to cure and the passage of a reasonable period of time following the demand, but not to exceed five days, the right to make the restoration of the Public Ground at the expense of the Company. The Company shall pay to the City the cost of such work done for or performed by the City. This remedy shall be in addition to any other remedy available to the City for noncompliance with this Section 3.3. The Company shall also post a construction performance bond consistent with the provisions of Minnesota Rules, parts 7819.3000 and 7819.0100, subpart 6.

3.4. **Avoid Damage to Gas Facilities.** The Company must take reasonable measures to prevent the Gas Facilities from causing damage to persons or property. The Company must take reasonable measures to protect the Gas Facilities from damage that could be inflicted on the Facilities by persons, property, or the elements. The Company must take protective measures when the City performs work near the Gas Facilities, if given reasonable notice by the City of such work prior to its commencement.

3.5. **Notice of Improvements to Streets.** The City will give Company reasonable written Notice of plans for improvements to Public Ways where the City has reason to believe that Gas Facilities may affect or be affected by the improvement. The notice will contain: (i) the nature and character of the improvements, (ii) the Public Ways upon which the improvements are to be made, (iii) the extent of the improvements, (iv) the time when the City will start the work, and (v) if more than one-Public Way is involved, the order in which the work is to proceed. The notice will be given to the Company a sufficient length of time, considering seasonal working conditions, in advance of the actual commencement of the work to permit the Company to make any additions, alterations or repairs to its Gas Facilities the Company deems necessary.

3.6 **Mapping Information**. The Company must promptly provide complete and accurate mapping information for any of its Gas Facilities in accordance with the requirements of Minnesota Rules, parts 7819.4000 and 7819.4100.

SECTION 4. RELOCATIONS.

4.1. **Relocation in Public Ways.** The Company shall comply with Minnesota Rules, part 7819.3100 and applicable City ordinances consistent with law.

4.2. **Relocation in Public Grounds.** The City may require the Company at the Company's expense to relocate or remove its Gas Facilities from Public Ground upon a finding by the City that the Gas Facilities have become or will become a substantial impairment to the existing or proposed public use of the Public Ground. Relocation shall comply with applicable city ordinances consistent with law.

4.3. **Projects with Federal Funding.** Relocation, removal, or rearrangement of any Company Gas Facilities made necessary because of the extension into or through the City of a federally-aided highway project shall be governed by the provisions of Minnesota Statutes, Section 161.46.

SECTION 5. INSURANCE AND INDEMNIFICATION.

5.1. Insurance. The Company is required to maintain Commercial General Liability Insurance on an occurrence basis protecting it from claims for damages for bodily injury, including death, and for claims for property damage, which may arise from operations under this Ordinance. Insurance minimum limits are as follows:

- $2,000,000 – per occurrence
- $4,000,000 – annual aggregate

The following coverages shall be included: Premises and Operations Bodily Injury and Property Damage; Personal and Advertising Injury Blanket Contractual Liability and Products and Completed Operations Liability.

The City must be endorsed as an Additional Insured.

With the City's consent, which shall not be unreasonably withheld, the Company shall have the option of providing a program of self-insurance to meet its obligation under this Ordinance. In such event, the Company shall submit to the city a Certificate of Self-Insurance or other documents showing proof of its financial responsibility.

5.2. **Indemnity of City.** The Company shall indemnify and hold the City harmless from any and all liability, on account of injury to persons or damage to property occasioned by the construction, maintenance, repair, inspection, the issuance of permits, or the operation of the Gas Facilities located in the Public Ways and Public Grounds. The City shall not be indemnified for losses or claims occasioned through its own negligence except for losses or claims arising out of or alleging the City's negligence as to the issuance of permits for, or inspection of the Company's plans or work.

5.3. **Defense of City.** In the event a suit is brought against the City under circumstances where this agreement to indemnify applies, the Company at its sole cost and expense shall defend the City in such suit if written notice thereof is promptly given to the Company within a period wherein the Company is not prejudiced by lack of such notice. If the Company is required to indemnify and defend, it will thereafter have control of such litigation, but the Company may not settle such litigation without the consent of the City, which consent shall not be unreasonably withheld. This section is not, as to third parties, a waiver of any defense or immunity otherwise available to the City. The Company, in defending any action on behalf of the City, shall be entitled to assert in any action every defense or immunity that the City could assert on its own behalf. This franchise agreement shall not be interpreted to constitute a waiver by the City of any of its defenses of immunity or limitations on liability under Minnesota Statutes, Chapter 466.

SECTION 6. **VACATION OF PUBLIC WAYS**.

The City shall give the Company at least two weeks prior written notice of a proposed vacation of a Public Way. The City and the Company shall comply with Minnesota Rules, part 7819.3200 and applicable ordinances consistent with law.

SECTION 7. CHANGE IN FORM OF GOVERNMENT.

Any change in the form of government of the City shall not affect the validity of this Ordinance. Any governmental unit succeeding the City shall, without the consent of Company, succeed to all of the rights and obligations of the City provided in this Ordinance.

SECTION 8. FRANCHISE FEE.

8.1. **Form.** During the term of the franchise hereby granted, and in addition to permit fees being imposed or that the City has a right to impose, the City may charge the Company a franchise fee. The fee may be (i) a percentage of gross revenues received by the Company for its operations within the City, or (ii) a flat fee per customer based on metered service to retail customers within the City or on some other similar basis, or (iii) a fee based on units of energy delivered to any class of retail customers within the corporate limits of the City. The method of imposing the franchise fee, the percentage of revenue rate, or the flat rate based on metered service may differ for each customer class or combine the methods described in (i) – (iii) above in assessing the fee. The City shall seek to use a formula that provides a stable and predictable amount of fees, without placing the Company at a competitive disadvantage. If the Company claims that the City's required fee formula is discriminatory or otherwise places the Company at a competitive disadvantage, the Company shall provide a formula that will produce a substantially similar fee amount to the City and reimburse the City's reasonable fees and costs in reviewing and implementing the formula. The City will attempt to accommodate the Company but is under no franchise obligation to adopt the Company-proposed franchise fee formula and each review will not delay the implementation of the City-imposed fee.

8.2. **Separate Ordinance.** The franchise fee shall be imposed by separate ordinance duly adopted by the City Council, which ordinance shall not be adopted until at least thirty (30) days after written notice enclosing such proposed ordinance has been served upon the Company. The fee shall become effective ten (10) days after written notice enclosing such adopted ordinance has been served upon the Company by certified mail.

8.3. **Condition of Fee.** The separate ordinance imposing the fee shall not be effective against the Company unless it lawfully imposes a fee of the same or substantially similar amount on the sale of gas energy within the City by any other gas energy supplier, provided that, as to such supplier, the City has the authority or contractual right to require a franchise fee or similar fee through a previously agreed upon franchise.

8.4. **Collection of Fee.** The franchise fee shall be payable not less than quarterly during complete billing months of the period for which payment is to be made. The franchise fee formula may be changed from time to time, however, the change shall meet the same notice requirements and the fee may not be changed more often than annually. Such fee shall not exceed any amount that the Company may legally charge to its customers prior to payment to the City. Such fee is subject to subsequent reductions to account for uncollectible and customer refunds incurred by the Company. The Company agrees to make available for inspection by the City at reasonable times all records necessary to audit the Company's determination of the franchise fee payments.

8.5. **Continuation of Franchise Fee.** If this franchise expires and the City and the Company are unable to agree upon terms of a new franchise, the franchise fee, if any being imposed by the City at the time this franchise expires, will remain in effect until a new franchise is agreed upon notwithstanding the franchise expiration as provided in section 2.6 above.

SECTION 9. ABANDONED FACILITIES.

The Company shall comply with City ordinances, Minnesota Statutes, Sections 216D.01 et seq. and Minnesota Rules, part 7819.3300, as they may be amended from time to time. The Company shall maintain records describing the exact location of all abandoned and retired Facilities within the City, produce such records at the City's request and comply with the location requirements of Section 216D.04 with respect to all Facilities, including abandoned and retired Facilities.

SECTION 10. SAFETY AND INFRASTRUCTURE REPORTING.

The Company and the City shall meet annually at a mutually convenient time to discuss items of concern or interest relating to the Company's safety and service reliability in the previous year, compared to other service areas, infrastructure plans for the coming year and other matters raised by the City or the Company. Upon request, the Company shall provide data that identifies aging infrastructure within the City that may need replacement and the Company's plans for replacement.

SECTION 11. PROVISIONS OF ORDINANCE.

11.1. **Severability.** Every section, provision, or part of this Ordinance is declared separate from every other section, provision, or part; and if any section, provision, or part shall be held invalid, it shall not affect any other section, provision, or part. Where a provision of any other City ordinance conflicts with the provisions of this Ordinance, the provisions of this Ordinance shall prevail.

11.2. **Limitation on Applicability.** This Ordinance constitutes a franchise agreement between the City and the Company as the only parties and no provision of this franchise shall in any way inure to the benefit of any third person (including the public at large) so as to constitute any such person as a third-party beneficiary of the agreement or of any one or more of the terms hereof, or otherwise give rise to any cause of action in any person not a party hereto.

SECTION 12. AMENDMENT-PROCEDURE.

Either party to this franchise agreement may at any time propose that the agreement be amended. This Ordinance may be amended at any time by the City passing a subsequent ordinance declaring the provisions of the amendment, which amendatory ordinance shall become effective upon the filing of the Company's written consent thereto with the City Clerk within 60 days after the effective date of the amendatory ordinance. This amendatory procedure is subject, however, to the City's police power and franchise rights under Minnesota Statues, Sections 216B.36 and 301B.01, which rights are not waived hereby.

Passed by the City Council of _______, Minnesota this _____ day of Month, Year.

____
Mayor

Attested:

____
City Clerk

CenterPoint Energy

FRANCHISE FEE IMPLEMENTATION

2/21/2019

Mr. Steve McDonald
Wayzata

Dear Mr. McDonald:

As a follow-up to your request for information about franchise fees on natural gas service in the City of Wayzata, the following three documents are attached for your review:

1. Franchise fee analysis estimating the annual revenue that could be raised by assessing the same fee to all classes of customers (model 1), or assessing different fee amounts for each rate classification (prediction model 2).
2. Franchise fee fact sheet outlining CenterPoint Energy's concerns and guidelines.
3. Model franchise fee ordinance.

As we discussed, CenterPoint Energy is not advocating implementing a franchise fee in the City of Wayzata, but we recognize the City has the right to impose this type of tax. In addition, we appreciate the financial strain that many cities are under and the need to explore other potential revenue sources to help meet the needs of the community.

I hope you find this information helpful. Should the City Council continue exploring the possibility of imposing a franchise fee, I look forward to discussing the issue in greater detail with you.

Sincerely,

Chris Serritslev
Area Manager
9320 Evergreen Blvd
Coon Rapids, MN 55433
763-785-5429 – Christophe.serritslev@centerpointenergy.com

Attachments

Note: Information on revenues collected by CenterPoint Energy is considered proprietary and should only be shared with those directly involved in your franchise fee analysis.

Request for Action, Page 2

Electric Franchise Fees

	Residential	Small Com/Ind (non-demand)	General Com/Ind (demand)	Large Com/Ind (>1MW demand)	Public Street Lights	Municipal Pumping (non-demand)	Municipal Pumping (demand)
New Hope	$1.50	$4.50	$9.00	$36.00	$4.50	$4.50	$4.50
# in New Hope	8,981	554	324	64	18	8	2
Bloomington	$3.75	$7.50	$40.00	$115.00	N/A	N/A	N/A
Brooklyn Center	$1.52	$3.10	$20.60	$99.00	$12.04	$12.40	$12.40
Brooklyn Park	$7.00	$7.50	$45.00	$160.00	N/A	N/A	N/A
Champlin	$3.50	$9.50	$40.00	$140.00	$17.00	$17.00	$17.00
Crystal	None						
Eden Prairie	$2.50	$3.00	$10.00	$45.00	N/A	N/A	N/A
Edina	$1.95	$3.40	$9.50	$40.50	N/A	N/A	N/A
Golden Valley	$2.00	$20.00	$22.50	$206.00	N/A	N/A	N/A
Maple Grove	None						
Plymouth	$2.00	$3.00	$10.00	$40.00	$0.00	$0.00	$0.00
Richfield	$4.10	$12.50	$30.00	$185.00	N/A	N/A	N/A
Rogers	$5.00	$7.00	$45.00	$210.00	$19.00	$12.00	$65.00
St. Louis Park	$3.25	$6.50	$30.00	$105.00	$0.00	$6.00	$30.00
Average	**$3.17**	**$5.79**	**$25.97**	**$115.13**	**$13.14***	**$10.38***	**$25.78***

*Amongst cities that charge

Gas Franchise Fees

	Residential	Small Com A	Small Com/Ind B	Small Com/Ind C	Com/Ind Dual Fuel A	Com/Ind Dual Fuel B	Large Volume Dual Fuel
New Hope	$1.50	$3.00	$6.00	$20.00	$30.00	$40.00	$60.00
# in New Hope	5,276	230	183	275	36 (A, B, Large Volume combined)		
Bloomington	$3.75	$7.50	$7.50	$40.00	$40.00	$40.00	$115.00
Brooklyn Center	$1.52	$1.58	$5.15	$20.60	$51.50	$98.88	$98.88
Brooklyn Park	$7.00	$6.50	$20.00	$70.00	$160.00	$160.00	$160.00
Champlin	$3.50	$3.50	$9.50	$40.00	$80.00	$140.00	$140.00
Crystal	None						
Eden Prairie	$2.50	$3.00	$10.00	$45.00	$45.00	$45.00	$45.00
Edina	$1.95	$3.40	$9.50	$40.50	$40.50	$40.50	$40.50
Golden Valley	$2.00	$3.50	$22.50	$22.50	$206.00	$206.00	$206.00
Maple Grove	None						
Plymouth	$2.00	$3.00	$10.00	$40.00	$40.00	$40.00	$40.00
Richfield	$4.10	$4.10	$12.50	$30.00	$30.00	$30.00	$185.00
Rogers	$4.00	$7.00	$20.00	$70.00	$148.00	$148.00	$800.00
St. Louis Park	$2.00	$2.00	$4.00	$13.25	$13.25	$13.25	$73.00
Average	**$2.99**	**$4.01**	**$11.39**	**$37.65**	**$73.69**	**$83.47**	**$163.62**

Franchise fees allow cities to diversify their revenue streams and provide a stable source of funding, which can be used for any public purpose. Because they are fees, tax exempt properties are still required to contribute. Revenue from franchise fees, which was $442,555.64 in 2015, is currently placed into the city's general fund. Many other cities direct the fees to specific capital improvement projects such as pavement management programs. The following table details how other cities use such funds:

	How revenue from franchise fees is used
New Hope	General Fund
Bloomington	Capital Projects Fund - Pavement management and trails
Brooklyn Center	Capital Projects Fund - Street reconstruction fund for street projects
Brooklyn Park	Capital Projects Fund - Pavement management, street overlays, and street reconstruction
Champlin	Capital Projects Fund - Infrastructure replacement
Eden Prairie	Capital Projects Fund - Pavement management
Edina	Capital Projects Fund - sidewalks and bike trails
Golden Valley	Capital Projects Fund - street reconstruction fund for street projects (Douglas Drive)
Minnetonka	Capital Projects Fund - Burial of electric lines and street lighting
Plymouth	Capital Projects Fund - Street reconstruction fund for street projects
Richfield	Capital Projects Fund - Overlay, sealcoating, and removal of diseased trees
Rogers	Capital Projects Fund - City's Pavement Management Program
St. Louis Park	Capital Projects Fund - City's Pavement Management Program

<u>Franchise Fee Revenue History</u>

Franchise fees comprised approximately 3.65% of the city's general fund revenues in 2015. Below is a breakdown of revenue per year since 2005:

Year	Electric	Gas	Revenue
2005	$246,272.32	$189,602.70	$435,875.02
2006	$241,589.34	$192,216.39	$433,805.73
2007	$254,890.55	$190,007.60	$444,898.15
2008	$266,151.38	$174,981.75	$441,133.13
2009	$247,531.62	$191,212.11	$438,743.73
2010	$231,496.75	$198,997.43	$430,494.18

Year	Electric	Gas	Revenue
2011	$250,144.10	$189,650.40	$439,794.50
2012	$251,949.06	$188,200.20	$440,149.26
2013	$250,946.91	$187,886.70	$438,833.61
2014	$249,914.91	$188,625.60	$438,540.51
2015	$252,900.84	$189,654.80	$442,555.64

If the city were to increase franchise fees to be "average," as calculated in the tables above, revenue from 2015 would more than double. Based on the count of properties that fall under each category provided by Xcel and Centerpoint, estimated revenue would be as follows:

Electric	$574,236.43
Gas	$366,590.42
Total	**$971,376.05**

Should the City Council decide to change franchise fee amounts, it would take approximately four months for the utility companies to process the changes. While not required by city ordinance, staff recommends that a public hearing be held prior to passing an ordinance that increases fees. The utility companies request to review a draft ordinance two weeks in advance of a City Council meeting. After a fee increase is approved, the utility companies are required to notify the Public Utilities Commission 60 days in advance of the change. The utility companies then notify users of the increase with an insert or message on the monthly bill 30 days in advance of the increase.

Recommendation

Staff recommends that the City Council consider increasing the amount charged for franchise fees and dedicate the additional revenue to the street infrastructure fund for the pavement management plan. Revenue from current franchise fees would continue to be dedicated to the general fund in an effort to keep the tax levy low. If the fees were increased from $1.50 to $3.00 per month for residential users and increased to "average" for commercial and industrial users, an additional $400,000 in revenue per year would be generated for street improvements.

Attachments

- Work session minutes (December 15, 2014, and December 21, 2015)
- Diversify revenues with franchise fees (League of Minnesota Cities)
- Rate classifications for CenterPoint Energy typical customers
- City Code Section 14-51 - Electricity franchise fee
- City Code Section 14-52 - Gas franchise fee

City Council Workshop
City Council Agenda Report

MEETING DATE: March 19, 2019	**WORKSHOP AGENDA ITEM:** 3.
TITLE: Bar and Grill/Liquor Store Operations Update (6:15 p.m.)	
PREPARED BY: Jeff Dahl, City Manager	
REVIEWED BY: N/A	

DISCUSSION OBJECTIVE:
To provide a quarterly update of muni operations.

BACKGROUND:
Jeff Pietrini, General Manager of Wayzata Bar and Grill, and Kevin Castellano, General Manager of Wayzata Wine and Spirits will be in attendance to summarize 2018, provide an update of the 1st quarter of 2019, and talk about what to look forward to for the rest of the year. Attached are their updates in which they will be going over.

ATTACHMENTS:
1. Sales Summary 2018 WWS
2. Council Quarterly Update March 2019

Sales Summary 2018:

- Overall revenue was down 2% from 2017, though we did see sales stabilize/improve in our 2 busiest months of the year (Nov/Dec). This is a good indicator and reinforcement that the 'newness' of TWM can wear off. Sales are strong, and customer traffic counts and average ticket are good as well.
- Sales mix/segments by and large did not change much. Wine is king, and our inventory mix continues to improve and be more effective over time.
  - Wine Market is ever changing, but strong. Rosé is hot right now as well as canned wine.
  - Liquor Market has largely changed to the 1.75 format, for value and is tough to compete, but makes for easier ordering.
  - Tobacco/Misc category continues to improve, just seeking out ways to eek more margin out of it.
  - Beer is a challenge when it comes to space with ever-expanding craft beer, but these 4pk and 6pk formats are good for margin. Hard seltzer is taking off, and some are now among our top skus, and has been good for 'beer' sales.

Store Ops:

- Addition/returning of the Assistant Manager role has created much needed redundancy, and helped operations run more smoothly. Help was much needed regarding staff training and staff communication, store events, communication with sales reps and drivers, etc. Erin is doing a great job and transitioned well.
- Sunday sales look slow as the business hours are shorter, but it's been a good addition and we will be expanding hours to be open until 6pm instead of 5pm.
- New delivery vehicle is great, and getting lots of use.
- Upgraded/updated software has helped check out times at the register.
- Continued: open part –time position for 1 key-holder, 1 part time salesperson.

Looking forward:

- Review of advertising campaign, what's working well/new ideas, review of budget.
- New projects for in-store promos and features.
- Continued improvement on growing the margin in existing inventory.
- Review ways to improve employee retention, turnover was higher in 2018.
- Goal to break $3,000,000 in revenue. The struggle is in thinking long term when implementing new sales strategies and promotions.

Bar and Grill Quarterly Update March 2019

Recap of 2018 highlights

- Chilly Open 2018 and 2019
- Wayzata Art Experience 2018
- JJ Hill Days 2018
- Overall Sales Recap
- Update on hiring new Chef Eli Renn

Challenges in 2018 and 1st quarter of 2019

- Rising labor costs
- Compliance check update
- Health Department
- Road construction and expected impact

Things to look forward to in 2019

- New menu launch March 11th 2019
- Price increases
- Partnering with Wayzata Rotary for Summer Concert Series
- Small seasonal summer menu launch June 2019
- Small seasonal fall menu launch Oct 2019
- Updated happy hour specials

Capital Improvements Planning