



Council Worksession
April 25, 2023
5:00 pm

Present: Mayor Kari Niedfeldt-Thomas
Councilmember Abdullahi Abdulle
Councilmember Graeme Allen
Councilmember Emily Dunsworth

Absent: Councilmember Pam Axberg

Staff in Attendance: Devin Massopust, Craig Schlichting, Gina Foschi

Guests in Attendance: Michael Wilhelmy, Xcel Energy

Xcel Franchise Fees

Massopust explained Director Schlichting would do the bulk of the presentation on franchise fees, along with Director Foschi. He noted Michael Wilhelmy from Xcel Energy was also in attendance.

Schlichting stated the purpose of a franchise fee is to grant Xcel Energy permission to construct, operate, repair and maintain a gas and electric distribution utility in the public ways and public grounds of the City. Xcel Energy is the sole provider of natural gas and electricity in the City. Their gas and electric utility systems occupy an estimated 84 acres of City street right-of-way and they benefit from the all-weather access afforded by the City streets that are repaired and maintained by the City taxpayers. The benefit of franchise fees to pay for City services versus property taxes is franchise fees are paid by all Xcel Energy customers. Non-profits such as churches, local governments, and school districts do not pay property taxes, yet use and receive services provided by the City.

Michael Wilhelmy, Community Relations Manager for Xcel Energy, commented on how Xcel views demand and non-demand users. He stated if users have a backup power source, they receive a better rate from Xcel.

Schlichting reported in November of 2015 the City Council updated gas and electric franchise fees to be based on use (per kW or Therm). This agreement expired in 2022 with an administrative extension by Xcel for coverage in 2023. Staff noted a new agreement had to be put in place by June of 2023. The City recommended a change in rate structure to provide for additional funding to address Climate Action Plan initiatives. It was noted agreements indicate that future rates collected can be addressed on an annual basis. Staff commented further on the proposed franchise fees for gas and electric and requested feedback from the Council on how to proceed.

Mayor Niedfeldt-Thomas asked why the franchise fee rates have not been adjusted since 2015. Schlichting reported this was a City decision and the funds collected were meeting the City's needs. He explained because the contract had expired, the City was now taking a look at the fees being collected. Mr. Wilhelmy stated City's do not adjust their franchise fees very often.

Mr. Wilhelmy thanked staff for the detailed presentation. He reported many cities choose to have a franchise agreement versus franchise fees. He stated in terms of the fee, New Brighton was using an older style and he would like to see the City switching over to a flat fee. He commended the City for their forward thinking regarding energy use and conservation.

Councilmember Abdulle asked if the previous franchise fee was use based. Mr. Wilhelmy stated this was the case. He was of the opinion a flat rate would be easier for users to understand.

Further discussion ensued regarding how residents could work to conserve energy in order to reduce their overall energy bill.

Mayor Niedfeldt-Thomas clarified the incentivization to use less energy was to have lower energy bills, but noted the proposed franchise fees would remain a minimal constant on bills. Mr. Wilhelmy reported this was the case.

Councilmember Allen questioned what the break down was between residential and non-residential for energy use when it comes to electric and gas. Mr. Wilhelmy reported the City has many more residential users, but they use less energy than the commercial and industrial properties in the City. He indicated he could get this information to the Council.

Mayor Niedfeldt-Thomas stated if the City were to move forward with a flat fee, could this be changed to a percentage next year. Mr. Wilhelmy stated he would encourage the City not to take this action. He indicated he wants his customers to understand their bill and not for their to be changes occurring frequently.

Mayor Niedfeldt-Thomas explained the City has very large goals when it comes to energy use and she feared a flat franchise fee rate does not incentivize energy conservation. Mr. Wilhelmy stated he understood this point, but he believed it was more important to have customers understanding the franchise fee noting conservation would come with behavior changes.

Mayor Niedfeldt-Thomas questioned why energy use was on the decline since the pandemic. Mr. Wilhelmy stated as the price for energy goes up, people tend to use less or some residents are purchasing more efficient appliances. He commented on the EV program Xcel had in place which encouraged residents to charge their vehicles at night.

Councilmember Allen asked if fluctuations in rates from Xcel would impact the franchise fees collected. Massopust reported this would not occur if the City moves to a flat rate for the franchise fees.

Councilmember Dunsworth stated she appreciated how the public could be educated on the flat rate and how residents could work to reduce their bill through conservation efforts.

Mayor Niedfeldt-Thomas was of the opinion those residents who use more energy should be paying more for the franchise fee. Mr. Wilhelmy indicated his system would not allow for this type of billing. He reiterated that the franchise fee would only represent 1% to 3% of users total bill. He discussed how Xcel was working to be carbon free in order to be more environmentally friendly. He commented on how wind and solar would reduce costs for users over time.

Councilmember Abdulle stated he supported the City revisiting the franchise fee rate every five years. He commented on how he was uncomfortable entering into a 20 year agreement given how the energy climate was changing. Massopust discussed how the use of the City's right-of-way would remain the same even as the energy climate changes. Mr. Wilhelmy commented it was quite common for cities to have 20 year franchise

agreements in place.

Councilmember Dunsworth indicated she did not support the Council revisiting the franchise fees on a yearly basis, but rather suggested rates be set for a more sustainable period of time or that there be a triggering time period.

Mayor Niedfeldt-Thomas questioned how the mobile home community would be billed. Mr. Wilhelmy explained franchise fees are billed per meter.

Council consensus was to direct staff to draft Ordinances for the Xcel Energy franchise agreement with a flat franchise fee for Council consideration at a future meeting.

Housing Study Draft

Massopust stated Tom Leighton from Stantec presented an update on New Brighton's Housing Study at the February 14, 2023 City Council Work Session. He reviewed a draft of the study with recommendations for prioritization on production, preservation and capacity of building housing strategies. Staff explained staff was seeking direction from the Council on the housing study noting this document would be approved by the Council at some point in the future.

Mayor Niedfeldt-Thomas commented this was a study and the City would adopt policies based on the data within the study. Massopust reported this was the case.

Mayor Niedfeldt-Thomas asked if staff has discussed the timeframes for the strategies. Massopust commented this has occurred, but noted the City does not have a timeframe for a market rate apartment development as this would be determined by the market. He commented on how the Council has been working to put rental strategies in place for single family residential housing.

Councilmember Allen discussed how population changes and shifts may occur over time, but the City's housing would remain the same. Schlichting indicated census data could be gathered by City staff.

Mayor Niedfeldt-Thomas understood the City had priorities in place for 2023. She stated she believed the Council and staff should have a conversation about what the next level could look like in order to consider priorities for 2024.

Councilmember Allen supported the Council taking a look at the City's multi-family rental licensing.

Mayor Niedfeldt-Thomas supported the EDC and Equity Commission reviewing the housing study data.

Councilmember Abdulle recommended data highlights also be shared with the public on social media.

Worksession adjourned at 6:10 pm

Respectfully submitted,



Terri Spangrud
City Clerk