



City of Burnsville, Minnesota

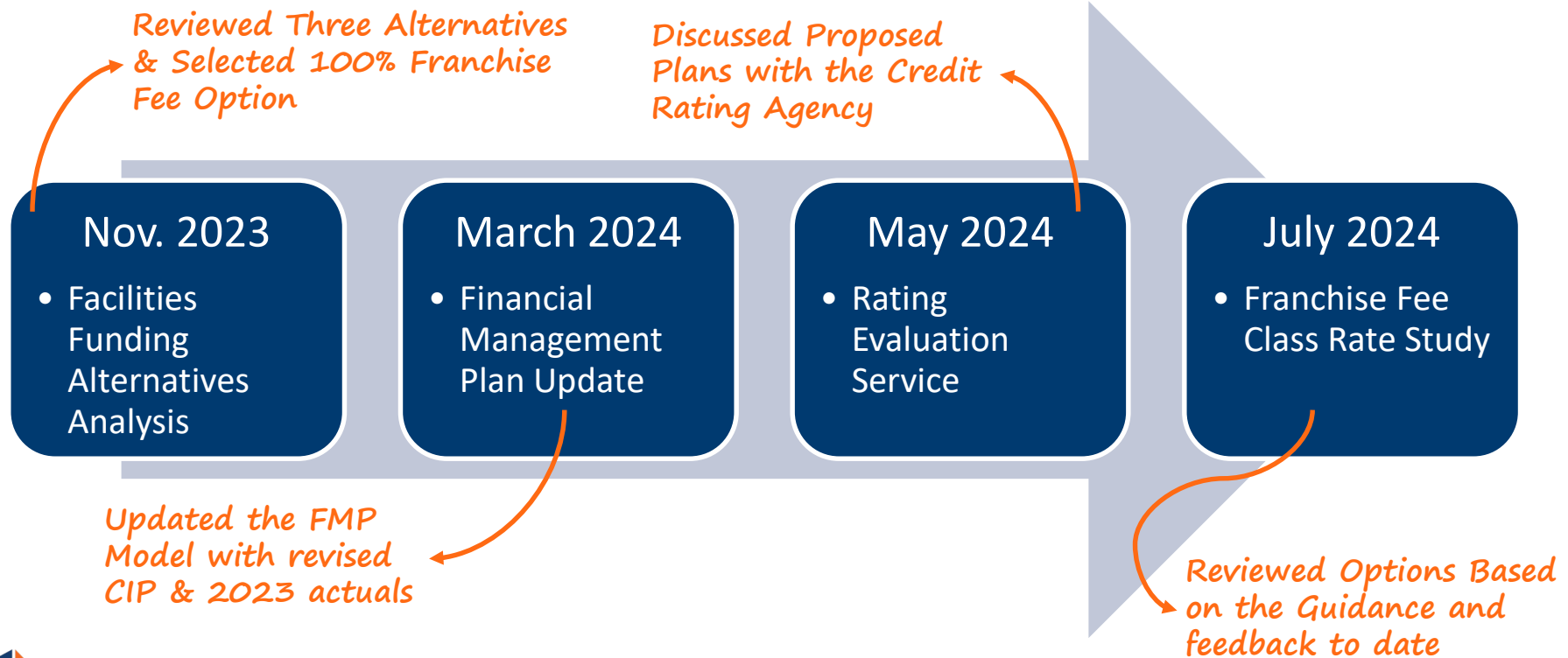
Police City Hall Financing & Franchise Fee Class Rate Study

July 9, 2024

Goals for the Work Session

- Review financial projections for funding alternatives for the major facilities improvement projects
 - ✓ Impacts on ratepayers
 - ✓ Impacts on the Facilities Fund
- Receive feedback on a preferred option
- Consider next steps for the funding strategy

Long-Term Financial Planning Timeline



Facilities Capital Projects Assumptions

Major Project Cost Estimates

- 2025: Police City Hall
✓ \$98M
- 2029: Fire Station No. 2
✓ \$32.5M
- 2033: Maintenance Facility
✓ \$77.9M

Major Project Bond Estimates

- 2025: Police City Hall
✓ \$100M
- 2029: Fire Station No. 2
✓ \$30M
- 2033: Maintenance Facility
✓ \$80M

Note: Costs are inflated 4.0% per year

Funding Options

- Option No. 1: Same Increase by Class
 - ✓ All class rates adjusted by the same percentage to support debt service requirement
- Option No. 2: Variable Increases Across Classes
 - ✓ All class rates adjusted by different percentages to support debt service requirements
- Option No. 3: Phased, Variable Increase Across Classes
 - ✓ All class rates adjusted by a different percentages to support debt service requirements
 - ✓ Phased in over a two-year period

Assumptions, continued...

- Facilities Projects
 - ✓ Costs based on pre-design data
 - ✓ Four-year intervals between major projects
 - ✓ Debt service starts the year after construction begins
 - ✓ Inflation assumed at 4.0%
 - ✓ Supports existing CIP needs
 - ✓ Franchise Fees to support any new debt service requirements
- Excludes any potential projects as the result of pending studies
- Includes currently projected housing growth

Comparative Analysis

Electric Utility Franchise Fees by Class							
Statistic	Residential	Small C&I, ND	Small C&I, D	Large C&I	Public Street Lighting	Municipal Pumping, ND	Municipal Pumping, D
Mean	3.45	8.84	28.34	122.48	-	0.83	2.65
Median	3.39	8.07	26.50	119.25	-	-	-
Range (Min.)	-	-	-	-	-	-	-
Range (Max.)	7.00	19.10	63.00	263.00	-	12.00	48.50

Natural Gas Utility Franchise Fees by Class							
Statistic	Residential	C&I, A	C&I, B	C&I, C	SVDF, A	SVDF, B	LVDF
Mean	3.52	5.43	13.04	51.88	78.35	91.90	209.99
Median	3.64	5.21	11.95	46.75	70.93	70.93	119.00
Range (Min.)	-	-	-	-	-	-	-
Range (Max.)	7.00	12.00	40.00	180.00	258.00	315.00	810.84

Estimated, Average Monthly Accounts

Electric Utility by Class		
Class	Total (n)	Total (%)
Residential	26,943	89%
Small C&I, Non-Demand	1,897	6%
Small C&I, Demand	1,065	4%
Large C&I	207	1%
Total	30,112	100%

Natural Gas Utility by Class		
Class	Total (n)	Total (%)
Residential	20,308	90%
Commercial A	1,002	4%
Commercial B	597	3%
Commercial C	592	3%
SVDF A & B	25	0%
LVDF	5	0%
Total	22,529	100%

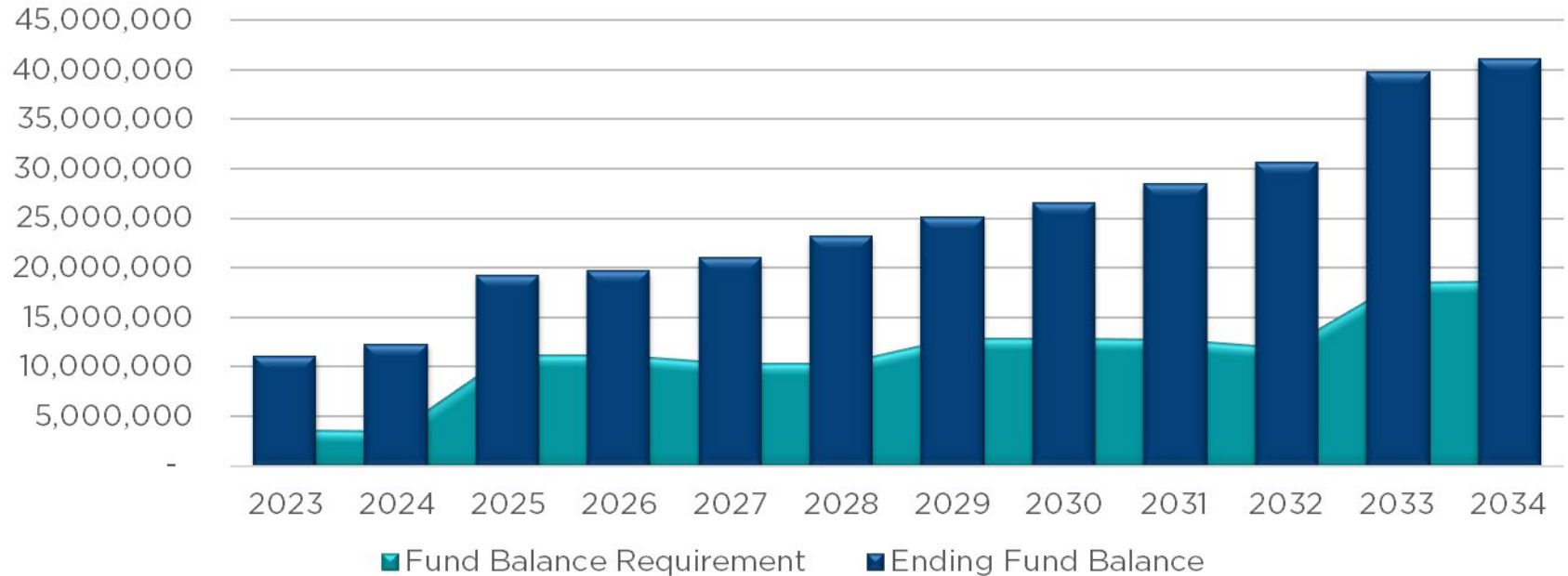
Option No. 1: Same Increase by Class

Monthly Projected Class Rates by Project				
Class	Current	Police/City Hall (2026)	Fire Station No. 2 (2030)	Maintenance Facility (2034)
Electric Utility				
Residential	4.00	8.80	11.53	15.76
Small C&I, ND	12.00	26.40	34.62	47.29
Small C&I, ND	40.00	88.00	115.39	157.61
Large C&I	180.00	396.00	519.26	709.28
Natural Gas Utility				
Residential	4.00	8.80	11.53	15.76
Commercial A	12.00	26.40	34.62	47.29
Commercial B	40.00	88.00	115.39	157.61
Commercial C	180.00	396.00	519.26	709.28
SVDF A & B	180.00	396.00	519.26	709.28
LVDF	180.00	396.00	519.26	709.28

Note: Assumes no fee increases until 2026 & 3%/year increases in interim years

Option No. 1: Fund Balance Projections

Facilities Fund Balance Projections



Option No. 1: Same Increase by Class

Advantages

- Maintains strong Facilities Fund balances
- Maintains current revenue sharing amount classes
- Potentially easier to explain to ratepayers

Disadvantages

- May result in franchise fees greater than peer cities
- Implements the franchise fee increase in a single year
- Does not adjust individual class rates
- Highest residential class rate among the options

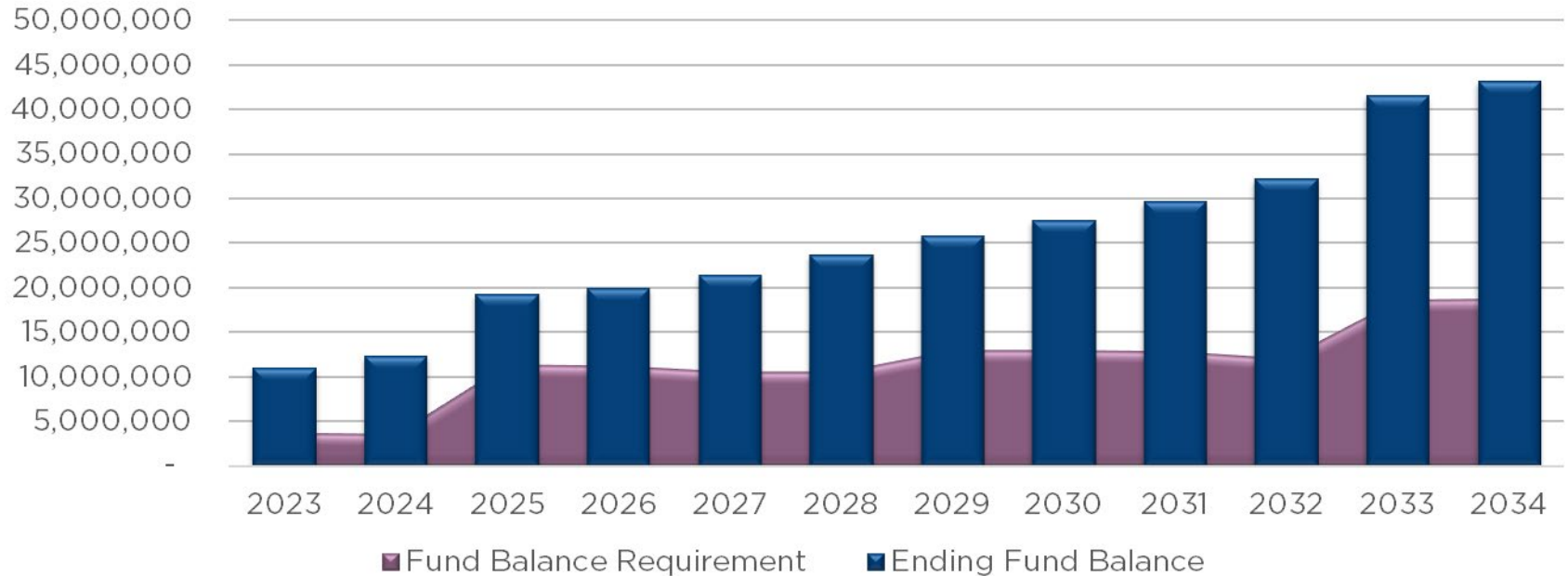
Option No. 2: Variable Increases Across Classes

Monthly Projected Class Rates by Project				
Class	Current	Police/City Hall (2026)	Fire Station No. 2 (2030)	Maintenance Facility (2034)
Electric Utility				
Residential	4.00	8.00	10.49	14.31
Small C&I, ND	12.00	28.80	37.76	51.58
Small C&I, ND	40.00	80.00	104.90	143.29
Large C&I	180.00	468.00	613.68	838.23
Natural Gas Utility				
Residential	4.00	8.00	10.49	14.31
Commercial A	12.00	28.80	37.76	51.58
Commercial B	40.00	80.00	104.90	143.29
Commercial C	180.00	468.00	613.68	838.23
SVDF A & B	180.00	468.00	613.68	838.23
LVDF	180.00	468.00	613.68	838.23

Note: Assumes no fee increases until 2026 & 3%/year increases in interim years

Option No. 2: Fund Balance Projection

Facilities Fund Balance Projections



Option No. 2: Variable Increases Across Classes

Advantages

- Maintains strong Facilities Fund balances
- More progressive franchise fee structure
- Remains more consistent with peer communities
- Lowest residential class rate among the options

Disadvantages

- May result in franchise fees greater than peer cities
- Implements the franchise fee increase in a single year
- Inconsistent franchise fee increases across classes
- Shifts revenue sharing amount among the classes

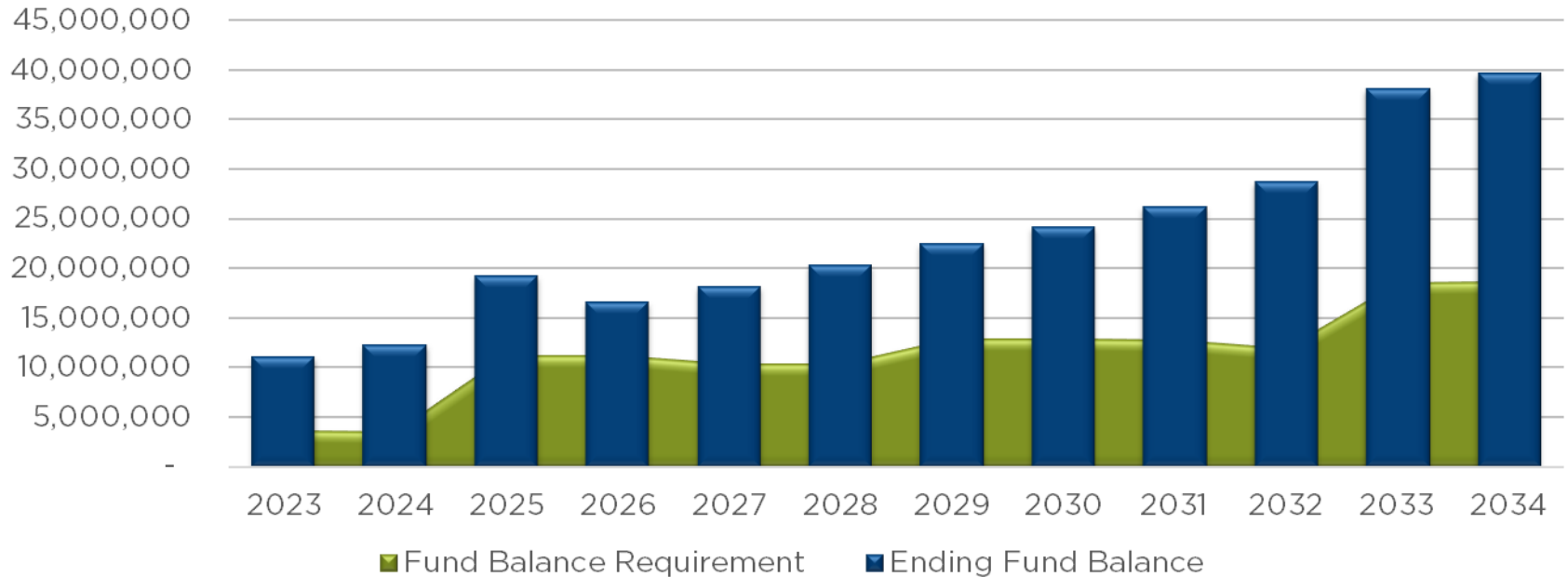
Option No. 3: Phased, Variable Increase Across Classes

Monthly Projected Class Rates by Project				
Class	Current	Police/City Hall (2026/2027)	Fire Station No. 2 (2030)	Maintenance Facility (2034)
Electric Utility				
Residential	4.00	6.00/8.25	10.51	14.35
Small C&I, ND	12.00	20.40/29.58	37.66	51.44
Small C&I, ND	40.00	60.00/82.50	105.04	143.48
Large C&I	180.00	324.00/486.00	618.72	845.11
Natural Gas Utility				
Residential	4.00	6.00/8.25	10.51	14.35
Commercial A	12.00	20.40/29.58	37.66	51.44
Commercial B	40.00	60.00/82.50	105.04	143.48
Commercial C	180.00	324.00/486.00	618.72	845.11
SVDF A & B	180.00	324.00/486.00	618.72	845.11
LVDF	180.00	324.00/486.00	618.72	845.11

Note: Assumes no fee increases until 2026 & 3%/year increases in interim years

Option No. 3: Fund Balance Projections

Facilities Fund Balance Projections



Option No. 3: Phased, Variable Increase Across Classes

Advantages

- Maintains strong Facilities Fund balances
- More progressive franchise fee structure
- Remains more consistent with peer communities
- Phases the franchise fee increase in over two years

Disadvantages

- May result in franchise fees greater than peer cities
- Inconsistent franchise fee increases across classes
- Shifts revenue sharing amount among the classes
- Creates additional costs for the City
- More complicated than other funding alternatives

Residential Franchise Fees Summary

Residential Franchise Fees Rates, By Utility Type						
Project	Option No. 1		Option No. 2		Option No. 3	
	Electric	Gas	Electric	Gas	Electric	Gas
Current	4.00	4.00	4.00	4.00	4.00	4.00
Police/City Hall	8.80	8.80	8.00	8.00	6.00/ 8.25	6.00/ 8.25
Fire Station No. 2	11.53	11.53	10.49	10.49	10.51	10.51
Maint. Facility	15.76	15.76	14.31	14.31	14.35	14.35
Total Change	11.76	11.76	10.31	10.31	10.35	10.35

Policy Discussion

- Given the guidance to date and the information presented today, does the City Council have a preferred option
 - ✓ Option No. 1 – Same Increase by Class
 - ✓ Option No. 2 – Variable Increases Across Classes
 - ✓ Option No. 3 – Phased, Variable Increase Across Classes
- Next Step
 - ✓ Updated cost estimates
 - ✓ Reach out to the utility providers

Carbon-Zinc Alkaline

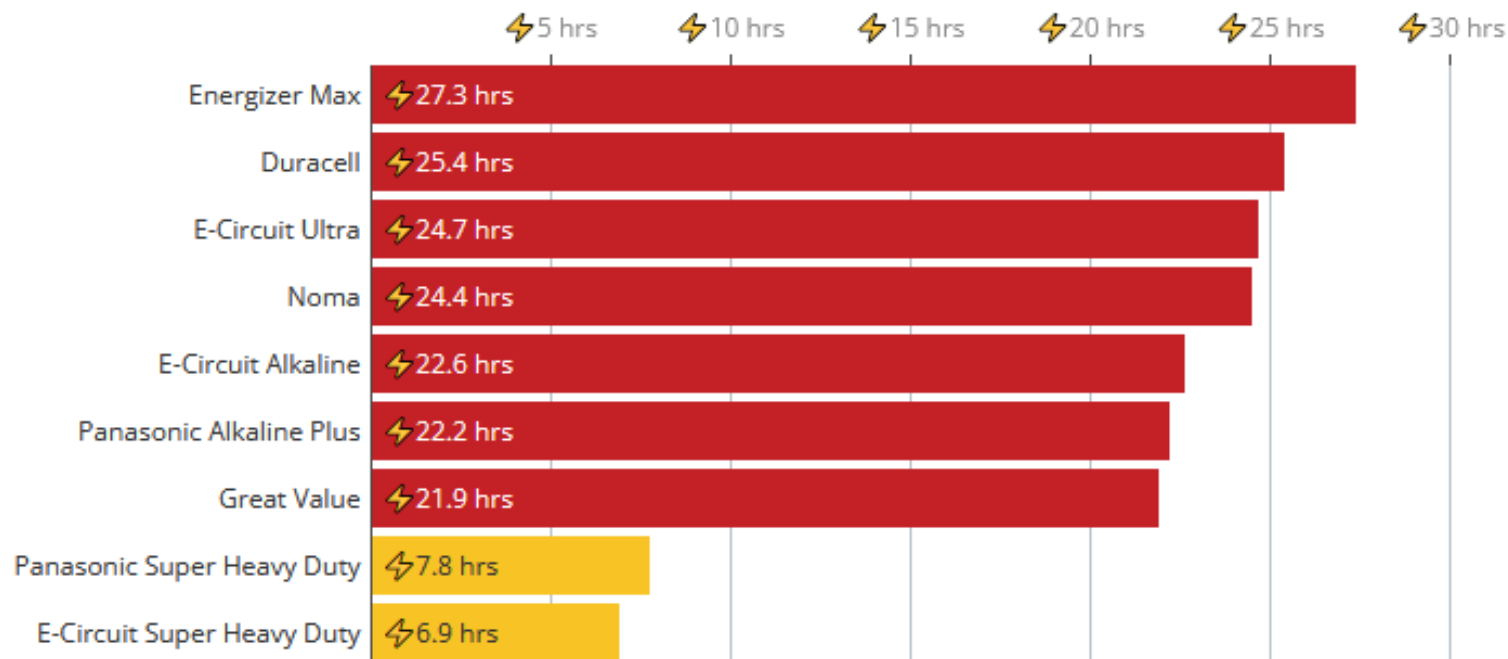


Chart: Dexter McMillan • Source: Ontario Tech University, Faculty of Engineering and Applied Science

CBC News



THANK YOU! QUESTIONS?

Residential Franchise Fees Summary

Residential Franchise Fees Rates, Combined Utilities by Year and Month						
Project	Option No. 1		Option No. 2		Option No. 3	
	Year	Month	Year	Month	Year	Month
Current	96.00	8.00	96.00	8.00	96.00	8.00
Police/City Hall	211.20	17.60	192.00	16.00	144.00/ 198.00	12.00/ 16.50
Fire Station No. 2	276.72	23.06	251.76	20.98	252.24	21.02
Maint. Facility	378.24	31.52	343.44	28.62	344.40	28.70
Total Change	282.24	23.52	247.44	20.62	248.00	20.70