



CITY OF GRAND RAPIDS

Meeting Agenda Full Detail City Council Work Session

Monday, July 23, 2012

4:00 PM

Conference Room 2A

CALL TO ORDER: Pursuant to due notice and call thereof a Special Meeting/Worksession of the Grand Rapids City Council will be held on Monday, July 23, 2012 at 4:00 p.m. in Conference Room 2A, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a call of roll, the following members were present:

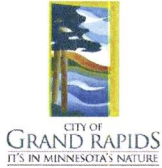
Discussion Items

1. [12-0462](#) Discuss the 2013 proposed budget.
Attachments: [2013 levy and tax rate.pdf](#)
[Recap RevEexpenditures&Levy.pdf](#)
[Fire, Police Public Works - 2013 proposed budgets.pdf](#)
2. [12-0459](#) A natural gas franchise agreement with Gorham's Inc., dba Northwest Gas.
Attachments: [7-23-12 Northwest Gas Franchise 7 17.pdf](#)
[7-23-12 RATE-MAKING DRAFT.pdf](#)
[7-23-12 Northwest Gas Acceptance of Franchise.pdf](#)
3. [12-0468](#) Review 5:00 p.m. Council Agenda and other business as noted.

ADJOURN

Attest:

Shawn Gillen, City Administrator



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0462 **Version:** 2 **Name:** Discuss 2013 Proposed Budget
Type: Agenda Item **Status:** CC Worksession
File created: 7/19/2012 **In control:** City Council Work Session
On agenda: 7/23/2012 **Final action:**
Title: Discuss the 2013 proposed budget.

Sponsors:

Indexes:

Code sections:

Attachments: [2013 levy and tax rate.pdf](#)
[Recap RevExpenditures&Levy.pdf](#)
[Fire, Police Public Works - 2013 proposed budgets.pdf](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Title

Discuss the 2013 proposed budget.

Body

Background Information:

The departments have been working on their 2013 budgets. Based on those requests, we have included the 2013 Recap of Revenues, Expenditures, and Levy Requirements and the Projected Levy and Tax Rate. In calculating the proposed tax rate, we reduced the 2012 tax capacity by \$220,000 and the Area 5 tax capacity of \$580,000 by \$20,000 for the reduction in residential market value for the market value homestead credit adjustment. We left all of the other numbers, tax increment, fiscal disparity contribution and fiscal disparity distribution, the same as last year.

We have included the Fire, Police, and Public Works' budget for discussion at the worksession.

Requested City Council Action

Discuss the 2013 proposed budget.

**PROJECTED LEVY & TAX RATE
CITY OF GRAND RAPIDS
PREVIOUSLY CERTIFIED LEVIES AND 2012 PROPOSED LEVY**

	2008 Levy Payable 2009	2009 Levy Payable 2010	2010 Levy Payable 2011	2011 Levy Payable 2012	2012 Levy Payable 2013	
General Fund	3,388,239	3,202,531	3,466,821	3,309,756	3,450,516	4.25%
Library Fund	577,376	519,716	534,716	524,716	574,332	9.46%
Cemetery	-	-	175,000	175,000	159,000	-9.14%
GREDA Levy	45,000	45,000	50,000	50,000	50,000	0.00%
Levy for Internal Loan-2011 Eq	-	-	-	136,000	141,588	
Special Levies	8,000	8,000	8,000	-	-	
Bonded Indebtedness	824,333	1,151,272	\$1,093,789	1,127,071	1,323,800	17.45%
GROSS LEVY	4,842,948	4,926,519	5,328,326	5,322,543	5,699,236	7.08%
Less:						
Fund Balance Contribution	-	-	-	-	-	
CERTIFIED LEVY	\$4,842,948	\$4,926,519	\$5,328,326	5,322,543	5,699,236	
		1.73%	8.16%	-0.11%	7.08%	

2011 ESTIMATED TAX CAPACITY AND PROPOSED LEVY

TAX CAPACITY	\$8,560,033		CERTIFIED LEVY	\$5,699,236
Less:			Less:	
JOBZ	(7,876)	Area 5	Fiscal disparities distribution levy	(448,536)
TIF Captured tax increment	(130,251)			
Fiscal Disparities contribution	(1,075,326)		Net amount levied to property owners	\$5,250,700
Taxable tax capacity*	\$7,346,580			

**2002 - 2010 TAXABLE TAX CAPACITY, CERTIFIED LEVY and CITY TAX RATE
and 2011 ESTIMATED TAXABLE TAX CAPACITY
and 2011 ESTIMATED LEVY and CITY TAX RATE**

TAX YEAR PAYABLE	TAXABLE TAX CAPACITY	NET CERTIFIED LEVY	CITY TAX RATE	CITY/TOWNSHIP TAX RATE	TOTAL TAX RATE
2002	\$ 4,013,622	\$ 3,221,066	80.169	2.696	82.865
2003	4,667,797	3,487,514	76.387	5.031	81.418
2004	4,883,098	3,774,982	79.273	4.625	83.898
2005	5,402,830	3,868,947	71.339	4.603	75.942
2006	5,692,534	3,977,337	69.869	4.452	74.321
2007	6,224,893	4,091,108	65.722	2.972	68.694
2008	6,851,971	4,503,251	65.722	3.834	69.556
2009	7,919,927	4,677,712	59.063	1.841	60.904
2010	7,115,267	4,631,705	65.095	1.271	66.366
2011	7,647,353	4,885,894	61.602	2.288	63.890
2012	7,014,456	4,874,006	67.218	2.267	69.485
2013	\$7,346,580	\$5,250,700	69.307	2.164	71.471

Reduced City 2012 tax capacity by \$220,000 and Area 5 tax capacity of \$580,000 by \$20,000

CITY OF GRAND RAPIDS
2013 RECAP OF REVENUES, EXPENDITURES AND LEVY REQUIREMENTS

	2009 Actual	2010 Actual	2011 Actual	2012 Budget	2013 Proposed	Increase/ (Decrease) over 2012	Percent Increase
NON TAX REVENUES:							
Annexation	\$ 210,425	\$ 270,381	\$ 326,175	\$ 250,000	\$ 275,000	\$ 25,000	10.00%
Payment in Lieu of Taxes (PILOT)	854,072	853,542	854,710	855,000	900,000	45,000	5.26%
Licenses and Permits	270,376	254,002	225,828	268,250	247,275	(20,975)	-7.82%
Local Government Aid (LGA)	1,280,888	963,410	963,410	963,000	963,000	-	0.00%
Intergovernmental Revenues	412,304	782,091	801,380	481,420	525,648	44,228	9.19%
Charges for Services	636,168	653,822	696,372	745,550	693,154	(52,396)	-7.03%
Fines and Forfeitures	129,839	101,829	108,983	117,000	105,500	(11,500)	-9.83%
Interest Income	47,987	23,498	20,342	25,000	28,829	3,829	15.32%
Miscellaneous	22,643	35,384	38,482	17,380	13,550	(3,830)	-22.04%
Other Financing Sources	86,675	589,605	91,711	29,322	19,351	(9,971)	-34.01%
Transfers In	3,500	3,500	3,500	3,500	3,500	-	0.00%
Total non-tax revenues	<u>3,954,877</u>	<u>4,531,066</u>	<u>4,130,893</u>	<u>3,755,422</u>	<u>3,774,807</u>	<u>19,385</u>	<u>-8.62%</u>
EXPENDITURES:							
Administration	445,868	443,132	461,742	463,065	448,175	(14,890)	-3.22%
Building Maintenance	200,145	202,320	220,709	228,297	213,519	(14,779)	-6.47%
Community Development	306,006	350,024	344,944	333,541	341,235	7,694	2.31%
Council/Boards	116,490	113,392	114,738	112,533	115,086	2,553	2.27%
Engineering	340,682	261,348	290,629	264,236	289,375	25,139	9.51%
Finance	447,447	368,823	391,332	395,052	403,732	8,680	2.20%
Fire	597,527	546,722	603,124	595,590	590,918	(4,672)	-0.78%
Fleet Maintenance	480,582	592,303	233,869	210,266	240,690	30,424	14.47%
Information Technology	170,617	158,077	176,837	172,043	188,045	16,002	9.30%
Police	2,093,945	1,904,374	186,590	2,009,733	2,075,876	66,143	3.29%
Public Works	1,654,774	1,622,751	1,564,901	1,447,470	1,438,370	(9,100)	-0.63%
Recreation	162,496	166,154	152,183	172,830	171,831	(999)	-0.58%
City Wide	-	-	348,323	396,322	389,972	(6,350)	-1.60%
Special Projects-Council	13,713	-	-	-	-	-	-
Special Projects-Non-Budgeted	8,407	123,902	6,485	-	-	-	-
Airport Joint Zoning Board	-	-	-	-	-	-	-
Total Department Expenditures	<u>7,038,699</u>	<u>6,853,322</u>	<u>5,096,405</u>	<u>6,800,978</u>	<u>6,906,823</u>	<u>105,845</u>	<u>1.56%</u>
Transfers Out							
Transfer to Capital Equipment	100,000	60,000	-	18,200	-	(18,200)	-100.00%
Transfer to Civic Center	27,335	-	12,000	27,000	27,000	-	-
Transfer to Itasca Historical Soc	12,000	12,000	17,000	17,000	17,000	-	0.00%
Transfer to Debt Service	150,000	190,000	150,000	150,000	150,000	-	-
Transfer to Airport	91,550	20,000	10,000	10,000	10,000	-	0.00%
Transfer to Golf Course	175,000	175,000	-	-	-	-	-
Transfer to DACF	42,000	40,000	20,000	27,000	24,500	(2,500)	-
Transfers-Other	97,497	87,007	156,449	-	-	-	-
Transfer to Street Light Utility Fund	161,195	-	-	-	-	-	-
Mt. Itasca contribution	-	-	15,000	15,000	15,000	-	-
Fund Balance Payback	-	-	-	-	75,000	-	-
Total Expenditures and Other Uses	<u>7,895,276</u>	<u>7,437,329</u>	<u>5,461,854</u>	<u>7,065,178</u>	<u>7,225,323</u>	<u>85,145</u>	<u>32.29%</u>
Net Levy Required for General Fund	3,388,239	3,202,531	3,077,449	3,309,756	3,450,516	140,761	4.25%
Net Levy for Library	577,376	534,716	534,716	524,716	574,332	49,616	9.46%
Net Levy for Cemetery	-	-	175,000	175,000	159,000	(16,000)	-
GREDA Levy Request	45,000	50,000	50,000	50,000	50,000	-	0.00%
Levy for equipment certificates	-	-	-	-	-	-	-
Total Levy Required for Operations	<u>\$ 4,010,615</u>	<u>\$ 3,787,247</u>	<u>\$ 3,837,165</u>	<u>\$ 4,059,472</u>	<u>\$ 4,233,848</u>	<u>\$ 174,376</u>	<u>4.30%</u>

**CITY OF GRAND RAPIDS
FIRE DEPARTMENT
ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013
AND 2014 BUDGETS**

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
PERSONNEL							
Salary-Fulltime	56,379	55,022	58,635	59,457	29,178	79,605	
Salary-Fulltime OT	-	-	-	-	78	-	
Salary-Parttime	168,693	131,354	140,063	167,912	61,249	150,205	
Salary-Parttime/Overtime	5,414	5,075	5,020	8,000	2,187	8,000	
PERA	1,677	1,485	1,708	2,315	867	5,268	
FICA	14,239	11,793	12,545	14,346	5,708	14,473	
Fire Relief-City contribution	5,000	7,826	5,000	5,000	-	5,000	
Fire Pension-St of MN	82,618	89,228	87,016	90,000	-	86,000	
Medicare	3,330	2,758	2,934	3,355	1,335	3,385	
Health Insurance	4,621	4,080	4,241	4,123	2,062	8,658	
Life Insurance	2,872	750	771	750	371	750	
Dental	103	135	141	148	74	296	
Unemployment	256	(256)	-	-	-	-	
Workers Compensation	17,729	22,893	26,482	23,000	26,071	23,000	
TOTAL PERSONNEL	362,933	332,142	344,555	378,407	129,180	384,641	-
SUPPLIES & MATERIALS							
Office Supplies	492	1,038	564	600	45	500	500
Copy Supplies	34	452	87	200	-	200	250
Computer Supplies	735	1,039	242	1,000	-	1,000	1,000
Training Supplies	376	846	890	900	31	900	900
Assets between \$700-\$4,999	7,999	-	9,981	3,600	1,412	-	-
Inventorial Supplies	6,109	6,857	8,124	6,000	2,025	6,000	6,000
Operating Supplies	8,313	11,344	8,176	8,500	2,259	8,500	8,500
Motor Fuels	7,941	8,553	9,080	10,000	4,580	9,500	9,500
Lubricants	366	226	244	250	59	250	250
Uniforms/Clothing/Safety	17,573	15,146	13,848	17,000	3,193	17,000	17,000
TOTAL SUPPLIES & MATERIALS	49,938	45,502	51,236	48,050	13,604	43,850	43,900
OTHER CHARGES & SERVICES							
Professional Services	775	-	-	500	-	500	500
Physicals	164	2,267	1,975	3,700	1,048	4,000	2,000
Legal	520	325	390	500	715	500	500
Laundry	79	44	36	93	9	100	100
Janitorial	713	490	839	800	-	800	800
Rental Expense	1,204	1,223	1,613	1,500	-	-	1,500
Telephone	4,528	3,611	2,679	1,800	1,571	2,000	2,800
Postage/Freight	410	1,758	366	500	38	400	400
Seminar/Meetings/Schools	16,923	13,537	36,598	17,000	16,268	15,087	16,000
Community Education/Promc	11,272	5,307	7,518	5,000	4,430	4,500	4,500
Auto Mileage-Inspector	221	391	513	500	257	500	500
Publishing & Advertising	605	1,139	781	700	-	300	300
General Insurance	11,433	13,090	10,745	16,500	15,933	16,500	16,500
Electricity	7,624	8,048	7,150	8,000	3,038	5,500	5,500
Garbage Removal	821	823	943	900	550	900	900
Heat-Natural Gas	8,513	2,987	5,043	5,500	3,573	5,500	5,500
Maintenance Contracts	237	580	196	1,400	-	2,800	500
Building Maint/Repairs	16,907	7,015	6,229	9,000	1,996	6,300	-
Computer Maint/Repairs	-	462	-	500	-	-	-
Radio Maint/Repair	311	608	966	1,000	507	1,000	1,000
Vehicle Maint/Repair-Car #1*	1,240	752	632	1,000	12	800	800
Vehicle Maint/Repair-Tanker	1,151	5,602	2,123	2,000	-	-	-
Vehicle Maint/Repair-Eng #1	7,901	4,410	2,189	3,500	675	3,500	3,500
Vehicle Maint/Repair-Pickup	78	-	124	600	113	800	800

**CITY OF GRAND RAPIDS
FIRE DEPARTMENT
ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013
AND 2014 BUDGETS**

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
Vehicle Maint/Repair-Ladder	4,832	3,052	4,131	3,500	2,046	3,500	3,500
Vehicle Maint/Repair-Rescue	1,993	469	1,228	1,000	-	3,000	3,000
Vehicle Maint/Repair-Engine	3,163	10,378	1,882	4,000	1,282	3,000	3,000
Vehicle Maint/Repair-Engine	846	678	355	1,000	1,361	1,000	1,000
Vehicle Maint/Repair-Engine	2,626	4,228	2,109	2,500	1,674	5,000	5,000
Gen Equip Maint/Repair & St	5,629	7,069	7,478	6,000	2,742	6,000	6,000
Miscellaneous	-	-	-	-	-	-	-
Dues & Subscriptions	1,536	2,595	1,483	2,500	1,939	2,500	2,500
Special Assessments	4,260	-	-	-	-	-	-
Depreciation	-	-	-	66,140	-	66,140	66,140
TOTAL OTHER CHARGES & SE	118,516	102,938	108,315	169,133	61,777	162,427	155,040
CAPITAL OUTLAY							
Equip/Mach/Furn/Fix							
TOTAL CAPITAL OUTLAY							
TOTAL EXPENDITURES	531,387	480,582	504,106	595,590	204,561	590,918	198,940

Budget is off by \$447 due to OT changes by Steve.
7/10/12 - Full Time Fire Chief as of 7/1/13



FIRE DEPARTMENT

Phone: 218.326.7639

FAX: 218.326.7655

E-mail: grfire@grandrapidsmn.org

Address: 420 North Pokegama Avenue
Grand Rapids, Minnesota 55744



Proposed Full-time Fire Chief / Emergency Manager Position Implementation

Over the last several years, the city councils, administrators, and fire chiefs of Grand Rapids have acknowledged that the increased complexities in the work environment and the continued growth in our community would someday lead to the city realizing a full-time Fire Chief's position. I respectfully submit to you that the time has now arrived.

Gone are the days of the firefighters who have been given the flexibility in their primary jobs to commit the time and attention required to adequately address the fire department's administrative needs. Expectations of the public, the firefighters themselves, and the city's administration and staff, have put a tremendous strain on the lives of those who serve – or consider serving – in the department's top position.

In 2013, I will have fulfilled my 20-year commitment to the City of Grand Rapids and the Fire Department. The discussion has been raised by many of the current and past fire department members as to "Who will be able or willing to devote the time needed in order to offer the level of service that our city has been accustomed to receiving for several decades now?" The answer at this time is: Nobody. Our present and future chief officers have jobs that do not allow for them to leave during their shift - or even take phone calls regarding fire department business; and many have families with young children who they would rather be spending quality time with while they are still at home. This presents a dilemma for the department and our city with regards to the quality and level of service that the department can offer. As a devoted member of the department, I do not want to see the city or the fire department take a step backwards in what we have always been able to offer, nor do I want to see the liability to our city increased because of a full-time staffing issue, only to be addressed after the fact in a reactive manner that takes place because of a tragic and/or costly incident.

I am proposing that the City of Grand Rapids consider moving to a full-time Fire Chief / Emergency Manager in 2013. This position is critical to the continued level of service that the city can offer its citizens, and it would certainly enhancement public safety in the city by having a proactive and experienced employee to address the city's capacity to respond to city-wide emergencies that tax our resources.

A full-time Fire Chief's position would also allow for better organizational efficiency and personal development within the department by re-structuring some managerial positions and re-defining their position descriptions in an effort to attract our qualified and experienced firefighters who we invest in to lead the department from within.

The cost of adding this full-time position would be ~\$80k (salary and benefits), but by implementing this in July of 2013, the city would not need to budget for the entire annual increase and would only realize ½ of the expenditure. The department and Chief could use this six-month period to assess and create the organizational changes brought about by the full-time staffing change, and the City Council, City Administrator and Human Resources Director could continue to have input on the desired development of this position. By the start of 2014, the fire department, city staff and a city with nearly 11,000 people would all be benefiting by having the Fire Chief / Emergency Manager functioning at full capacity, providing our community with an increased level of service and professionalism that is expected of us.

Respectfully presented,



Steve Flaherty, Fire Chief

7/10/12

Full-time Fire Chief / Emergency Manager Position

Benefits of having a Full-time Fire Chief:

- Immediate Availability:
 - Dept Head to employees (as stated by employees in evaluations)
 - Dept Head to Administrator (as stated by Administrator in evaluations)
 - Dept Head to Dept Head (inter-departmental relationships, meetings, etc.)
 - Chief available to community (requests for permits, reports, tours, contractors, life safety questions/concerns from public)
 - Chief to vendors (customer relations regarding purchasing of operational supplies and/or capital expenditures)
 - Chief able to respond to every daily emergency (employee's request for continuity of operations)
 - Dept Head to H/R (address employee needs/issues/communications immediately)
- Consistency of Departmental Operations
 - As requested by City Council
 - As expected by firefighters
 - As anticipated by vendors
- Continuity of Department Heads (as requested by City Council)
 - Investments made in professional development of Department Heads
 - Consistency in long-range budgeting of capital items
 - Knowledge of long-range budgeting of other departments
 - Consistency in budgeting of operational expenditures
- Cost Savings:
 - Limited need for other compensated positions:
 - Chief's present salary/wage ~\$16,000.00
 - Buildings/Grounds/Apparatus (2nd Asst.) ~\$3,000.00
 - Other positions – (?)
- Improvement of impact on personnel within the department:
 - Less "Burn-out" of other personnel due to extra duties incurred by lack of availability of Chief Officer(s).
 - Fewer turnovers in Chief position due to "Burn-out" (3-5 yr avg).
 - Will not have other full-time job responsibilities to contend with.
 - Positions attract qualified people who can commit to the duties listed in the job description.
- Improved control of and greater focus on departmental assets
 - Capital – (~\$6 million)
 - Operating Budget (~ \$600k)

Benefits of having a City Emergency Management Director:

- Enhances the preparedness and safety of the citizens and staff of the City of Grand Rapids
- Alleviates the burden of mayoral duties (M.S. Sec 12.25) by serving as the city's Emergency Manager and thereby actively addressing the following essential functions:
 - Develops, maintains, and tests the city's Emergency Operations Plan
 - Establishes a program to provide essential services during city-wide emergencies
 - Acquires equipment to assist the city in effective response to emergencies
 - Prepares and presents departmental budget to city council
 - Maintains liaison with county and state regional offices
 - Organizes volunteers and other resources to provide and support special services in times of emergency
 - Directs the training of staff and volunteers through courses or actual exercises (i.e. Tornado drills, evacuations, severe weather, etc.)
 - Evaluates staff performance and recommends personnel adjustments
 - Prepares informational material for dissemination to the public

GRFD Pay Re-structuring in 2013 (proposed)

Current Staff & Pay per year (does not include FICA and Medicare):

• 1 st Asst Chief -	\$4,884.00
• 2 nd Asst Chief -	\$4,488.00
• Captain -	\$4,488.00
• Safety Officer -	\$2,916.00
• Prevention/Ed -	\$3,396.00
• Truck Maint -	\$2,676.00
• Bldg Maint. -	<u>\$2,676.00</u>
TOTAL	\$25,524.00

Proposed:

- 1st Asst Chief becomes Deputy Chief. Pay rate is hourly + \$5.00 per hour.
- 2nd Asst Chief becomes Captain (no training responsibilities like current Captain); responsibilities become operational only (administrative duties performed by Chief). Pay rate is hourly + \$3.00 per hour.
- 2 Lieutenant positions created to provide better fire ground management efficiencies. Pay rate is hourly + \$3.00 per hour for each position.
- Safety Officer responsibilities become operational in nature only (administrative duties performed by Chief).
- Training Coordinator position provides training for department (no line officer duties associated with position). Salary of \$250.00 per month.
- Prevention & Life Safety Education position provides public safety information (no line officer duties associated with position). Salary of \$250.00 per month.
- Apparatus / Building Maintenance position is now combined (Bldg Maint position eliminated). City Janitorial Maintenance (Shari) to provide cleaning of bathrooms and meeting room floors twice per week. Salary of \$250.00 per month.

Proposed Staffing & Pay per year –based on 350 hours/year worked (does not include FICA and Medicare):

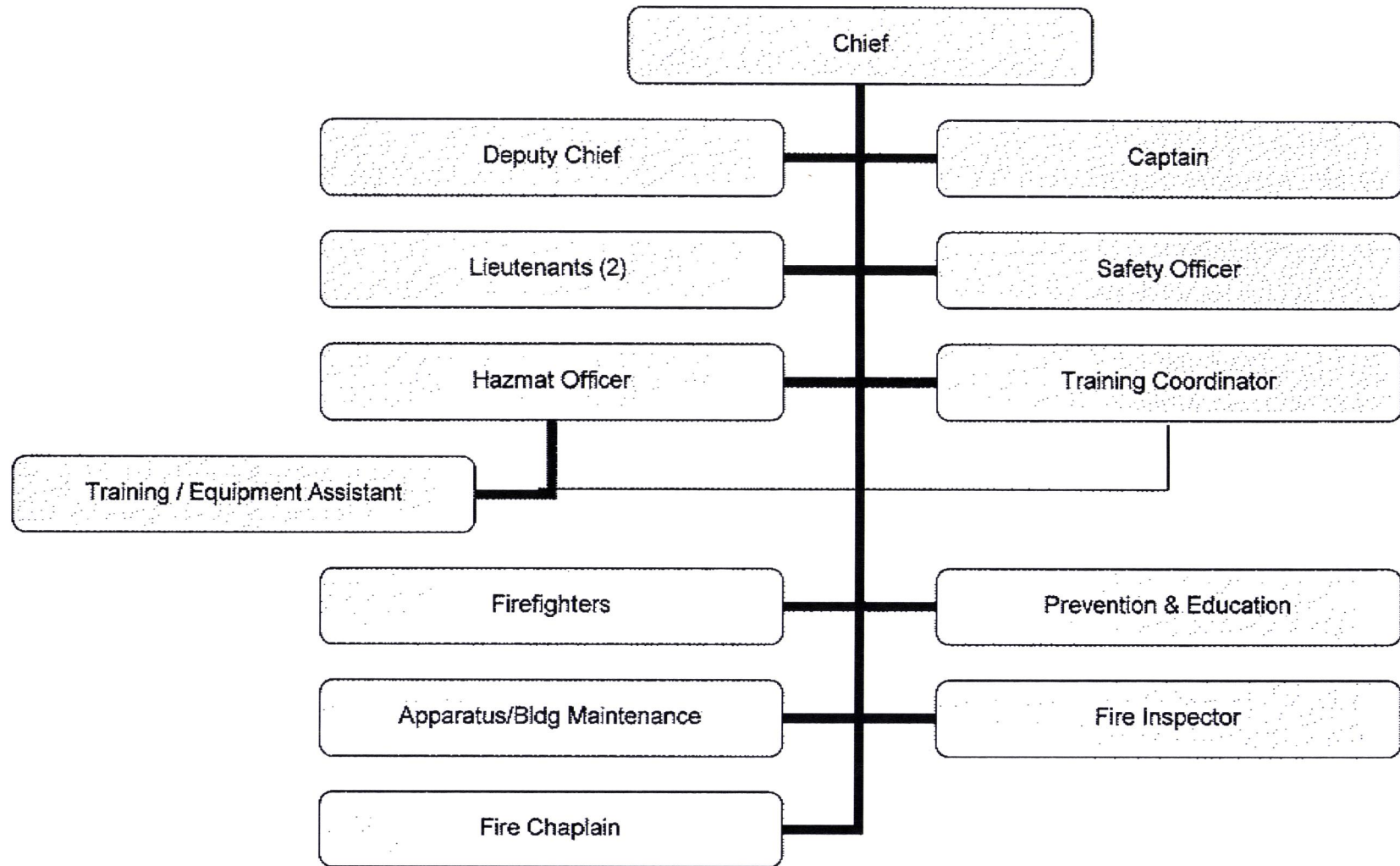
• Deputy Chief – \$5.00 per hour added to hourly rate =	\$1,750.00
• Captain - \$3.00 per hour added to hourly rate =	\$1,050.00
• Lieutenant(s) - \$3.00 per hour added to hourly rate (\$1050 x 2) =	\$2,100.00
• Safety - \$3.00 per hour added to hourly rate =	\$1,050.00
• Training Coordinator - \$250 monthly salary =	\$3,000.00
• Prevention & Life Safety Educator - \$250 monthly salary =	\$3,000.00
• Apparatus / Bldg Maint. - \$250 monthly salary =	<u>\$3,000.00</u>
TOTAL	\$14,950.00

Part-time salary cost savings of \$10,574.00 (without FICA & Medicare).

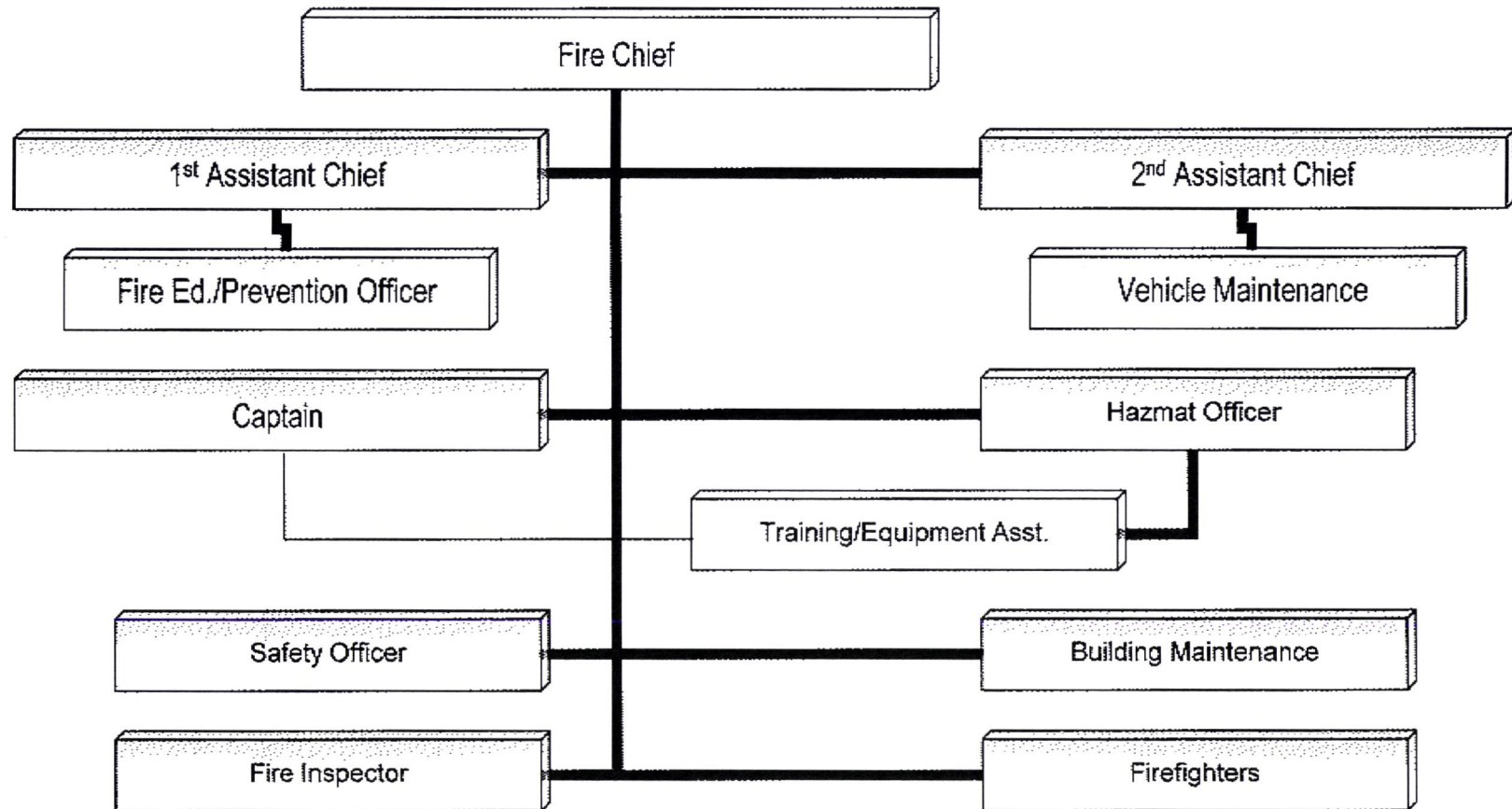
Current Chief's salary of \$9,252.00 per year not included in cost analysis.

Please refer to Organizational Chart for current and proposed changes.

GRFD Re-Structured



Grand Rapids Fire Department Organization Chart



**CITY OF GRAND RAPIDS
POLICE DEPARTMENT
ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013
AND 2014 BUDGETS**

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
PERSONNEL							
Salary-Fulltime	1,229,941	1,127,245	1,122,647	1,235,584	592,369	1,293,173	
Salary-Overtime	117,585	81,064	90,358	85,000	35,086	83,000	
Salary-Overtime TZD Grant	-	-	-	-	-	20,000	
Salary-Parttime	6,314	11,649	1,702	8,574	370	8,034	
Contracted Services	-	-	8,205	14,949	2,257	14,949	
PERA	8,149	7,438	7,166	7,592	3,720	7,857	
FICA	7,641	6,634	6,280	7,024	3,121	7,217	
Police Pension	172,630	154,675	159,985	174,835	83,110	179,825	
Medicare	14,894	15,338	16,556	19,273	8,599	19,820	
Health Insurance	192,118	145,058	157,130	162,462	77,163	165,790	
Life Insurance	2,118	596	454	529	237	529	
Dental Insurance	3,374	4,124	4,304	5,632	2,503	5,632	
Unemployment	5,039	4,852	44	-	-	-	
Workers Compensation	35,908	36,385	40,278	40,500	39,848	40,500	
TOTAL PERSONNEL	1,795,711	1,595,059	1,615,108	1,761,953	848,383	1,846,326	-
SUPPLIES & MATERIALS							
Office Supplies	2,341	3,435	1,878	3,500	356	3,000	
Copy Supplies	(1)	1,562	1,158	-	659	-	
Printing & Binding	128	1,491	937	-	2,196	500	
Computer Supplies	466	1,495	1,315	-	244	-	
Assets between \$700-\$4,999	17,447	26,825	13,735	4,000	1,365	3,000	
Journal Supplies	1,413	2,710	1,091	1,000	884	1,000	
Operating Supplies	7,324	4,587	5,381	5,000	1,852	5,000	
Dog License Supplies	-	114	-	-	-	-	
Motor Fuels	35,665	39,939	48,947	40,000	16,640	35,000	
Lubricants	23	-	-	-	-	-	
Police Reserves Supplies-Don	-	712	29	450	2,017	450	
Uniforms/Clothing/Safety	19,912	17,172	27,081	17,000	24,620	20,000	
Ammunition	1,913	1,549	1,839	2,000	2,744	2,000	
TOTAL SUPPLIES & MATERIALS	86,630	101,593	103,393	72,950	53,377	69,950	-
OTHER CHARGES & SERVICES							
Professional Services	349	1,343	2,157	1,000	1,130	1,000	
Legal	1,430	8,297	8,252	3,000	3,450	4,000	
Legal - Prosecutions	75,028	75,000	75,000	63,000	31,500	63,000	
Telephone	24,954	18,736	19,372	17,500	9,798	17,500	
Postage/Freight	940	1,003	1,589	700	361	700	
Seminar/Meetings/Schools	83	562	1,983	500	1,974	1,000	
Hiring Expense/Background	1,521	1,922	106	1,000	934	-	
Subpoena Fees	-	-	-	-	-	-	
Staff Training	13,243	8,693	9,008	11,500	7,038	7,500	
Community Education/Promo	1,707	548	312	1,200	45	500	
Auto Licenses	64	76	57	430	89	400	
Post Brd License Fee Reimbur	900	665	360	800	765	800	
Publishing & Advertising	891	855	551	400	-	200	
General Insurance	13,808	11,121	9,925	18,500	17,965	18,500	
Electricity	480	1,092	1,517	600	73	600	
Heat-Natural Gas	1,016	486	821	2,000	640	1,500	
Maintenance Contracts	1,789	2,004	8,910	2,000	6,230	6,000	
Building Maint/Repairs	3,705	1,657	7,590	2,000	110	1,000	
Computer Maint Contract	147	1,406	2,925	5,500	120	-	
Computer Maint/Sheriff Office	12,833	12,567	-	12,900	-	6,000	
Radio Maint/Repair	929	271	-	1,000	91	1,000	
Vehicle Maint/Repair	31,726	41,542	13,667	10,000	6,588	10,000	

**CITY OF GRAND RAPIDS
POLICE DEPARTMENT
ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013
AND 2014 BUDGETS**

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
Gen Equip Maint/Repair	1,177	1,970	1,956	1,500	1,285	1,000	
General Equipment	1,731	66	105	500	-	-	
Miscellaneous	109	812	2,498	200	250	200	
Dues & Subscriptions	1,250	720	600	800	530	600	
Copier Lease	1,792	1,796	1,796	1,800	898	1,600	
Drug Task Force	-	-	-	1,000	-	-	
Towing Charges	15,930	12,055	15,522	13,000	5,399	15,000	
Safety Seat Program	2,072	458	12	500	-	-	
TOTAL OTHER CHARGES & SEI	211,604	207,722	186,590	174,830	97,263	159,600	-
TOTAL EXPENDITURES	2,093,945	1,904,374	1,905,091	2,009,733	999,023	2,075,876	-

**CITY OF GRAND RAPIDS
PUBLIC WORKS DEPARTMENT**

ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013 AND 2014 BUDGETS

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
PERSONNEL							
Salary-Fulltime	390,592	365,753	392,055	366,948	190,134	328,139	
Salary-Overtime	12,925	14,229	15,521	18,000	2,487	18,000	
Salary-Parttime	73,209	87,070	81,843	92,450	37,052	95,494	
Salary-Parttime/Overtime	8,202	5,371	9,115	5,750	3,547	5,750	
Contracted Services	-	-	-	-	-	-	
PERA	26,651	27,518	30,375	26,604	14,722	24,789	
FICA	29,754	28,991	30,549	28,483	14,392	27,119	
Medicare	6,959	6,780	7,144	6,661	3,365	6,342	
Health Insurance	86,760	86,222	92,050	91,947	61,231	101,567	
Life Insurance	790	199	206	195	121	181	
Dental Insurance	231	270	283	296	148	296	
HealthCare Savings	5,840	8,280	14,856	-	8,892	-	
Unemployment	2,730	3,170	3,279	3,200	850	3,200	
Workers Compensation	23,089	19,976	27,618	26,708	31,963	32,000	
TOTAL PERSONNEL	667,731	653,830	704,892	667,242	368,904	642,876	-
SUPPLIES & MATERIALS							
Office Supplies	853	437	681	900	177	600	
Copy Supplies	132	690	612	-	231	200	
Computer Supplies	157	-	344	600	470	600	
Assets between \$700-\$4,999	1,882	1,164	-	-	-	-	
Inventorial Supplies	24	-	-	100	1,472	100	
Operating Supplies	2,642	2,400	3,585	3,200	1,263	3,000	
Motor Fuels	37,077	48,835	60,279	45,000	24,779	53,000	
Lubricants	-	15	5	-	-	-	
Maintenance Tools/Sup	1,572	644	1,447	-	158	-	
Building Maint Supplies	224	352	200	1,500	196	1,000	
Chemicals	1,313	1,022	1,121	1,000	1,351	1,000	
Uniforms/Clothing/Safety	3,801	3,714	2,865	3,000	2,528	3,000	
Tires/Cutting Edges	-	-	-	-	-	-	
Sign Repair Materials	10,120	7,268	10,307	10,000	2,805	10,000	
Bituminous/Pot hole patching	33,323	31,845	31,684	25,000	15,640	25,000	
Concrete	5	755	256	-	253	100	
Granular/Riprap/Dirt	1,580	1,092	953	6,000	200	5,000	
Small Tools	1,628	1,304	1,721	1,200	1,202	1,200	
Sand/Salt	48,292	49,339	36,656	40,000	20,381	40,000	
Turf Rehab	-	-	-	-	-	-	
Liquid De-Icer	11,309	11,319	13,961	18,000	12,882	18,000	
Grounds Maint/Supplies	31,259	22,490	19,561	20,000	14,820	20,000	
TOTAL SUPPLIES/ MATERIALS	187,193	184,683	186,238	175,500	100,809	181,800	-
OTHER CHARGES & SERVICES							
Legal	-	-	260	500	33	300	
Laundry	314	-	-	-	-	-	
Other Contracted Services	99,766	66,781	75,639	45,270	28,367	54,000	
Telephone	3,562	2,606	3,209	3,800	1,362	3,500	
SAW Trip Haz Repairs	13,455	10,177	4,382	3,800	-	3,000	
Postage/Freight	104	13	118	50	155	100	
Seminar/Meetings/Schools	5,408	2,891	4,587	5,000	3,705	5,000	
Auto Licenses	999	-	-	500	624	500	
Publishing & Advertising	195	496	282	200	-	200	
General Insurance	25,380	21,324	19,975	26,429	40,126	26,500	
Electricity	39,080	40,954	35,128	40,000	15,094	37,000	
Water	3,623	3,787	2,780	5,000	1,038	3,500	
Heat-LP Gas	-	1,455	-	-	-	-	
Garbage Removal	5,137	6,847	6,759	7,000	2,951	7,000	
Heat-Natural Gas	941	894	916	1,600	545	1,000	

**CITY OF GRAND RAPIDS
PUBLIC WORKS DEPARTMENT**

ACTUAL 2009-2011 EXPENDITURES, 2012 BUDGET, YEAR TO DATE, PROPOSED 2013 AND 2014 BUDGETS

	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	ACTUAL YTD 6/30/2012	PROPOSED 2013 BUDGET	PROPOSED 2014 BUDGET
Maintenance Contracts	59	25	196	-	-	-	-
Building Maint/Repairs	29,073	18,778	21,283	15,000	7,830	15,000	-
Ground Maint/Repairs	6,194	6,073	4,640	6,000	6,343	6,000	-
Computer Maint/Repairs	-	-	-	500	-	-	-
Irrigation Maint/Repair	2,895	3,068	2,753	3,000	1,812	3,000	-
Vehicle Maint/Repair	-	48	79,993	70,267	30,572	70,267	-
Gen Equip Main/Repair	-	96	-	-	-	-	-
Fixture Maint/Repair	606	835	1,822	2,500	552	2,000	-
Equipment Rental	3,562	1,823	2,593	2,000	-	-	-
Portable Restroom Rental	6,514	7,942	10,255	7,000	2,766	10,077	-
Miscellaneous	41	1,225	2,614	-	-	-	-
Dues & Subscriptions	748	531	393	800	221	750	-
Banner Replacement	1,856	-	1,900	-	-	-	-
Demo Dump Charges	-	-	1	-	-	-	-
Crack Sealing-ST Aid Maint	43,000	-	30,000	20,000	-	-	-
Striping-ST Aid Maint	10,531	3,081	12,141	5,000	560	15,000	-
Fleet Maintenance	137,189	158,902	408	-	-	0	-
Facility Lease Payment	109,200	116,480	110,344	117,312	-	117,000	-
Street Lighting	130,243	146,606	147,823	140,000	63,751	140,000	-
Street Lighting Supplies	1,397	-	-	-	-	-	-
Street Lighting Maint	118,776	104,074	90,578	76,000	20,417	93,000	-
TOTAL OTHER CHGS/SERV	799,850	727,813	673,772	603,528	228,821	813,694	-
CAPITAL OUTLAY-PUBLIC WORKS							
Building/Building Improvements	-	56,424	-	-	-	-	-
TOTAL CAPITAL OUTLAY	-	56,424	-	-	-	-	-
TOTAL EXPENDITURES	1,654,774	1,622,751	1,564,901	1,446,270	698,535	1,438,370	-



CITY OF GRAND RAPIDS

Legislation Details (With Text)

File #: 12-0459 **Version:** 1 **Name:** Northwest Gas Franchise
Type: Agenda Item **Status:** CC Worksession
File created: 7/18/2012 **In control:** City Council Work Session
On agenda: 7/23/2012 **Final action:**
Title: A natural gas franchise agreement with Gorham's Inc., dba Northwest Gas.
Sponsors:
Indexes:
Code sections:
Attachments: [7-23-12 Northwest Gas Franchise 7 17.pdf](#)
[7-23-12 RATE-MAKING DRAFT.pdf](#)
[7-23-12 Northwest Gas Acceptance of Franchise.pdf](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Title

A natural gas franchise agreement with Gorham's Inc., dba Northwest Gas.

Body

Background Information:

City staff have developed a ordinance granting a natural gas franchise agreement with Gorham's Inc., dba Northwest Gas, for the expansion of natural gas services into unserved areas of the City. The following are the key items related to the agreement:

1. The City Council or its designee, is the rate regulator (the City approves the price per therm). See the attached Rate Agreement document.
2. Northwest Gas, when directed by the City, must review expansion into unserved areas and report back to the City on the cost to serve the area. See section 5 ONGOING CONSIDERATION, of the rate agreement
3. The City has the right to purchase the gas system, both within and outside of the City, at anytime, based on a predefined formula. See section __.12 CITY'S RIGHT TO PURCHASE UTILITY, in the attached franchise agreement for details.

Staff Recommendation:

City staff is recommending the approval of the attached ordinance and rate making agreement with Gorham's Inc., dba Northwest Gas. In addition, City staff is recommending that a public hearing be established for Monday, August 13, 2012, at 6:00 p.m., to read the ordinance and consider adoption of the ordinance.

Requested City Council Action

Consider the approval of the attached ordinance and rate making agreement with Gorham's Inc., dba Northwest Gas. In addition, City staff is recommending that a public hearing be established for Monday, August 13, 2012, at 6:00 p.m., to read the ordinance and consider adoption of the ordinance.

CHAPTER __

AN ORDINANCE OF THE CITY OF GRAND RAPIDS, MINNESOTA, GRANTING TO GORHAMS' INC., (D.B.A. NORTHWEST GAS), ITS LESSEES, SUCCESSORS AND ASSIGNS, A NON-EXCLUSIVE FRANCHISE AUTHORITY FOR A PERIOD OF TWENTY-TWO (22) YEARS TO ERECT, MAINTAIN AND OPERATE A GAS DISTRIBUTION SYSTEM AND ANY AND ALL NECESSARY MAINS, PIPES, SERVICES AND OTHER APPURTENANCES THEREUNTO APPERTAINING IN, UPON, OVER, ACROSS AND ALONG THE STREETS, ALLEY, BRIDGES, AND PUBLIC PLACES OF THE SAID CITY, AND FOR THE TRANSMISSION, DISTRIBUTION AND SALE OF NATURAL AND/OR MIXED GAS FOR LIGHTING, HEATING, INDUSTRIAL AND ALL OTHER USES AND PURPOSES IN SAID CITY AND FOR THE PURPOSE OF TRANSMITTING, TRANSPORTING AND CONVEYING SUCH GAS INTO, THROUGH OR BEYOND THE IMMEDIATE LIMITS OF SAID CITY TO OTHER CITIES, TOWNS AND CUSTOMERS, AND PRESCRIBING THE TERMS AND CONDITIONS UNDER WHICH THE SAID COMPANY IS TO OPERATE.

__.01 GRANT AUTHORITY. That Gorhams', Inc., its lessees, successors and assigns, hereinafter referred to as Grantee, be and are hereby granted, subject to the provisions of this Ordinance, a non-exclusive authority for a period of twenty-two (22) years, to erect, construct, maintain and operate a gas distribution system and any and all necessary mains, pipes, services and other appurtenances and equipment thereunto appertaining in, upon, over, across and along the streets, alleys, bridges and public places in the City of Grand Rapids, Minnesota for the transmission, distribution and sale of natural and/or mixed gas for lighting, heating, industrial and all other uses and purposes in said City and for the purpose of transmitting, transporting and conveying such gas into, through or beyond the immediate limits of said City to other cities, towns and customers. Before Grantee constructs any new structures or converts any existing structure for the manufacture or storage of gas, Grantee shall first obtain the approval of the structure and the location thereof from City. Such approval by City shall not be unreasonably withheld.

__.02 USE OF CITY RIGHTS-OF-WAYS. The Grantee, in constructing and maintaining said gas distribution system, and in entering and using said streets, highways, avenues, alleys and public places in the City of Grand Rapids, Minnesota, and in laying and installing its mains, services, piping, and related appurtenances and equipment shall in all ways comply and be subject to Grand Rapids City Ordinances Article II, Sec. 58-31 through 58-50 as may be modified from time to time.

__.03 RELOCATION OF FACILITIES AND FIELD LOCATIONS. Whenever City shall grade, re-grade or change the line of any public way, or construct or reconstruct any City utility system therein, including streets, sidewalks, sewers, water mains or other public facilities of City, in the proper exercise of City's police power and with due regard to seasonable working conditions, City may order Grantee when necessary to relocate horizontally or vertically Grantee's mains, services and other property located in said public way and Grantee shall

relocate its facilities at its own expense. City shall give Grantee reasonable notice of the need to relocate its facilities.

If City shall vacate any street, alley or public way for the purpose of furthering any public improvement by whomsoever made, Grantee shall, upon a request in writing from City, remove, at Grantee's own cost and expense, the distribution facilities within the vacated premises, if any. However, if the vacation of any street, alley or public way is not for the purpose of furthering any public improvement, City shall retain a utility easement in order to allow Grantee's facilities to remain unless the owners in fee agree to pay to Grantee the cost of relocation of its facilities.

Grantee shall provide field locations for all its underground facilities when requested by City, within a reasonable period of time. The period of time will be considered reasonable if it compares favorably with the average time required by City to locate municipal underground facilities for Grantee.

.04 MAINTENANCE AND IMPROVEMENT OF SYSTEM. Grantee agrees, for and in behalf of itself, its lessees, successors and assigns, that for and during the term and period of this grant, it will maintain in the City an adequate, modern, standard and sufficient gas system and equipment and to maintain and operate the same in a modern and adequate fashion consistent with its General Terms and Conditions as provided for in its Minnesota Public Utilities Commission approved tariff, as may be amended from time to time.

Grantee will from time to time during the term of this Ordinance make such enlargements and extensions of its distribution system as the business of the Grantee and the growth of said City justify, in accordance with its General Terms and Conditions relating to customer connections and main and service line extensions currently in effect and on file with the Minnesota Public Utilities Commission, the City of Grand Rapids, or other competent authority having jurisdiction in the premises; provided, however, that no obligation shall extend to or be binding upon the Grantee to construct or extend its mains or furnish natural gas or natural gas service within said City if Grantee is, for any reason, unable to obtain delivery of natural gas at or near the corporate limits of said City or an adequate supply thereof to warrant the construction or extension of its mains, for the furnishing of such natural gas or gas service; provided, that Grantee shall not be liable to the City of Grand Rapids or its inhabitants, by reason of the failure of Grantee to deliver, or of the City or a customer to receive, natural gas as a result of acts of God, or the public enemy, inability of a pipeline supplier to furnish an adequate supply due to an emergency, or to a decision of public regulatory body, labor dispute, or other acts beyond the control of the party affected; and, provided further, that whenever any of the occurrences named above take place, Grantee shall have the right and authority and it shall be its duty to adopt reasonable rules and regulations in connection with limiting, curtailing or allocating extensions of service or supplying of gas to any customers or prospective customers, and withholding the supplying of new customers provided that such rules and regulations may be uniform as applied to each class of customer or prospective customer, and shall be nondiscriminatory as between communities receiving service from the Grantee, and such rules and regulations shall be subject to the rights reserved herein to City.

Grantee shall not construct any new or modified installation within or upon any public way without first receiving a permit from the City. The permit application shall reflect the type of facilities to be installed and the proposed location and depth within the right of way or easement. The facilities are to be installed pursuant to such permit and shall be located as directed by the City, taking into account existing and planned underground facilities. A permit shall also be required by repairs and maintenance of previously installed facilities, in order for City to inspect each project for compliance with Grantee's restoration obligations as provided in this Ordinance. All permits shall be issued by the City Clerk after consultation with the City Engineer. A fee for such permits may be established by resolution of the City Council from time to time. If construction work is not commenced within ninety (90) days after the issuance of a permit, it shall be null and void.

___.05 CITY'S AUTHORITY AND RIGHT TO REGULATE. Grantee agrees for and in behalf of itself, its lessees, successors and assigns, that all authority and rights in this Ordinance contained shall at all times be subject to all rights, power and authority now or hereafter possessed by the City of Grand Rapids, Minnesota, to regulate the manner in which Grantee shall use the streets, alleys, bridges and public places of said City and concerning the manner in which Grantee shall use and enjoy the franchise herein granted. Provided, however, City shall have no duty or obligation to monitor, inspect or control the manner in which Grantee constructs, operates or maintains its mains, pipes, services or other appurtenances, all of which shall be the exclusive responsibility and liability of Grantee.

___.06 CITY'S AUTHORITY AND RIGHT TO REGULATE RATE. As allowed under Minnesota Statutes 216B.02, subd.4, *et. al.* , due to the size of the anticipate customer base of this franchise agreement, less than 650 customers, said Franchise is eligible for local rate regulation. As such, this City of Grand Rapids, or their designee, shall be solely responsible for setting the rate that a customer is asked to pay the Grantee.

Rate is defined as: *every compensation, charge, fare, toll, tariff, rental, and classification, or any of them, demanded, observed, charged, or collected by any public utility for any service and any rules, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification.*

The City of Grand Rapids and Grantee agree to abide at all time to a separate rate agreement that specifies the rate to which the Grantee can charge any and all customer. That rate agreement is specifically incorporated as a term of this franchise agreement.

___.07 STANDARDS OF SERVICE. Grantee shall, at all times, maintain an adequate pressure and adequate supply of clean, standard gas of the British Thermal Unit heating value of not less than that prescribed in its General Terms and Conditions relating thereto in effect and on file with the Minnesota Public Utilities Commission, the City of Grand Rapids, or other competent authority having jurisdiction in the premises. Should the British Thermal Units fall below the limitation set forth in its appropriate Rules and Regulations, the rate then in effect shall be automatically correspondingly lowered and reduced during any period or periods of time in which such lower British Thermal Unit value shall be furnished. The City shall have the

privilege of requesting Grantee to furnish satisfactory proof of British Thermal Unit content of the gas.

___.08 LIABILITY. The City shall in no way be liable or responsible for any accident or damage that may occur in the construction, operation and maintenance by the Grantee of its mains, pipes, lines and other appurtenances and appliances hereunder and the Grantee, its successors and assigns shall indemnify the City, defend and hold it harmless against any and all liabilities, loss, cost, damage or expense which may accrue to the City or be claimed against the City by reason of any act or omission of the Grantee in the construction, operation and maintenance of its mains, pipes, lines and other appurtenances and appliances hereunder, or by the ownership by the Grantee of such facilities.

The Grantee shall have at all times during the effective period of this Ordinance insurance in the amounts of no less than is specified by Minnesota Statutes Section 466. 04 as may be modified from time to time. The Grantee shall provide proof of adequate insurance at all times during the effective period of this agreement.

___.09 FORFEITURE. If the Grantee shall be in default in the performance of any of the terms and conditions of this Ordinance and shall continue in default for more than ninety (90) days after receiving notice from the City of Grand Rapids, Minnesota of such default, the said City may, by ordinance duly passed and adopted, terminate all rights granted under this Ordinance to the Grantee. The said notice of default shall specify the provision or provisions in the performance of which it is claimed the Grantee is in default. Said notice shall be in writing and served in the manner provided by the laws of the State of Minnesota for the service of original notices in civil actions.

___.10 GRANTEE ACCEPTANCE. This Ordinance, and Grantee's rights and obligations hereby granted, shall become effective upon Grantee filing with the City Clerk within thirty (30) days after final passage and any required publication of this Ordinance, a written acceptance indicating an agreement to be bound to all rights and obligations of Grantee as provided in this Ordinance.

___.11 ASSIGNMENT. The Grantee, upon notice to the City of Grand Rapids, shall have the right and authority to assign all rights conferred upon Grantee by this franchise to any person. The assignee of such rights, by accepting such assignment, shall become subject to the terms and provisions of this franchise. Such assignment shall only be effective at such time as the assignee files with the City Clerk a written acceptance as required by Section 9 of this Ordinance.

___.12 CITY'S RIGHT TO PURCHASE UTILITY. Notwithstanding any other terms of this agreement, at any time during this twenty-two (22) year franchise agreement the City of Grand Rapids in its sole discretion can elect to purchase the entire utility installed and owned by Gorhams', Inc. dba Northwest Gas. The precise terms of the buyout have been negotiated and have been agreed to as set forth below. The purchase price shall constitute the factoring of two set rate.

First, if the City of Grand Rapids elected to purchase the utility of the Grantee, there shall be a payment which constitutes reimbursement for the actual cost to Gorhams' Inc. to install build the utility underneath the service area. This amount will specified by documentation provided by Gorhams', Inc. specifically identifying to the City's satisfaction the exact cost of the infrastructure installation promptly after completion of the infrastructures' final construction.

Secondly, the City of Grand Rapids will reimburse Gorhams' Inc. for 60 months of anticipated earnings. The amount of anticipated earnings will be based upon a thirty-six (36) month average of actual income earned in those thirty-six (36) months immediately preceding the City's decision to exercise their buyout option.

If the City of Grand Rapids can satisfy payment in full to Gorhams' Inc., of both payments, Gorhams, Inc. must sell its full utility operated and existing within the City of Grand Rapids without further negotiation. This specifically includes the sale of all infrastructure that is located outside the City of Grand Rapids, but is used to serve other areas by utilizing gas mains located within the City of Grand Rapids.

___.13 OPTION TO TERMINATE. If any portion of this franchise is found to be invalid for any reason whatsoever, the validity of the rest of this franchise shall not be affected. Provided, however, upon any provision of this franchise being found invalid, either City or Grantee shall have the option to terminate the franchise if said party's rights hereunder are substantially affected.

___.14 DAMAGE TO DISTRIBUTION SYSTEM. If any person shall damage any part of the Grantee's gas distribution system or shall cause any weakening of the structural or lateral support thereof, such person shall immediately notify Grantee of the location, time of the occurrence, and the nature of the damage and Grantee shall take immediate action to protect persons and property in the vicinity of the damage.

___.15 PRIOR CHAPTER 49 REPEALED AND REPLACED. Need to add language when we know where this will fit into our City Code.

___.16 EFFECTIVE DATE. This Ordinance shall be in full force and effect from and after its passage and publication as required by law, and the acceptance thereof by the Grantee.

Passed, adopted and approved this ____ day of _____, 2012 (Ordinance No. _____). Published on _____, 2012. Accepted and filed by the Grantee on _____, 2012.

**UTILITY RATE AGREEMENT BETWEEN THE CITY OF
GRAND RAPIDS AND GORHAMS' INC., (DOING
BUSINESS AS NORTHWEST GAS) PURSUANT TO
MINNESOTA STATUTES CHAPTER 216B.02, et. al.**

1. **AUTHORITY:** The City of Grand Rapids and Gorhams' Inc. have previously entered into a franchise agreement for the delivery of natural gas to residents of the City. As allowed under *Minnesota Statutes 216B.02, subd.4, et. al.* due to the size of the anticipate customer base of the franchise agreement, anticipated to be less than 650 customers, said Franchise is eligible for local rate regulation. As such, this City of Grand Rapids, or their designee, shall be solely responsible for setting the rate that a customer is asked to pay the Grantee.

For the purposes of this Agreement, "rate" is defined as: *every compensation, charge, fare, toll, tariff, rental, and classification, or any of them, demanded, observed, charged, or collected by any public utility for any service and any rules, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification.*

2. **CITY RESPONSIBILITY:** The City of Grand Rapids, pursuant to state law, is entrusted with the responsibility of regulating the rate that Gorhams' Inc. shall be allowed to charge its' customers. Specifically, the City of Grand Rapids must ensure that the asset base as determined by Gorhams' Inc. includes only items, that in the City's sole discretion, are "used and useful" for the delivery service to the end customer. Moreover, the City must guarantee that all of the expenses in the financial statements provided by Gorhams' Inc. are due to the operation and maintenance of the system and that the rate of return allowed Northwest Gas is a reasonable one.

3. **GORHAMS' INCORPORATED'S RESPONSIBILITY:** As allowed under *Minnesota Statute 216B.02, subd.4, et. al.* Gorhams', Inc. is believed to be eligible for local rate regulation. To ensure such eligibility, Gorhams' Inc. must supply to the City of Grand Rapids all existing affidavits certifying that they fall within the requirements of the Minnesota Statutes cited above, as well as, documentation of the rates of any other regulatory bodies having jurisdiction over the systems which Gorhams' Inc. have built.

In addition, Gorhams' Inc. must supply to the City of Grand Rapids all documentation that they have provided such other governmental units, including but not limited to, pro-forma investment estimates, pro-forma income statements and with the initial rates which are developed using these documents, taking into consideration revenue requirements, potential customers' preferences and the competitive landscape, and which are believed to cover costs on said systems and provide a fair rate of return on the investment going forward.

4. BASIS FOR PROFIT: The City of Grand Rapids, or their designee, in their sole discretion shall determine the amount of profit (rate of return) that is allowed to be achieved by Gorhams' Inc. In doing so, the City shall determine what expenditures are "used and useful" for the delivery service to the end customer. Gorhams' Inc. must supply to the City all pro-forma investment estimates, pro-forma income statements and any other documents and information that the City deems necessary in determining the setting of a reasonable rate. After determining said amount, Gorhams' Inc. is entitled to a reasonable rate of return of twelve-percent (12%) of that determined amount. This amount may be adjusted by the Consumer Price Index by mutual consent of both parties.

Gorhams' Inc. may at any time request an increased or decreased rate adjustment dependant upon their pro-forma results or if there is a desire to accelerate or decelerate the recovery of capital invested in the system. Any such rate adjustment must meet with approval of the Grand Rapids City Council, or their designee.

5. ON GOING CONSIDERATION: Gorhams; Inc. must maintain a record of all investment made in each system as well as detailed profit and loss records. Following the end of each year's business a calculation must be made of the rate of return using revenues in excess of system costs earnings before interest, taxes, depreciation, and amortization (EBITDA) expressed as a percentage of the asset base at the beginning of the year. As stated above, any earnings beyond the allowed rate of return will be deducted from the end-of-year asset base and that reduced asset base will be used as the beginning-of-year asset base in the following year. Gorhams' Inc. agrees to meet with the City of Grand Rapids, or their designee, at least once annually to review these results as directed to by the City of Grand Rapids, as well as to discuss the extension of services to areas who are not presently served with natural gas.

The undersigned, Gorhams' Inc, for itself, its successors and assigns, hereby accepts the terms of and agrees to perform the conditions of this Agreement.

Dated at _____, Minnesota this ____ day of _____, 2012.

CITY OF GRAND RAPIDS

GORHAMS' INCORPORATED

Mayor Dale Adams

ITS:

Dated: _____

Dated: _____

ATTEST:

Shawn Gillen, City Administrator

ACCEPTANCE OF FRANCHISE

The undersigned, Gorhams' Inc., for itself, its successors and assigns, hereby accepts the terms of and agrees to perform the conditions of that certain franchise granted by the City of Grand Rapids, Minnesota designated as Ordinance No. _____.

Dated at _____, Minnesota this ____ day of _____, 2012.

GORHAMS' INC.

By: _____

Its: _____

By: _____

Its: _____

ACKNOWLEDGEMENT OF FILING

The receipt and filing of the foregoing Acceptance of Franchise is hereby acknowledged and verified this ____ day of _____, 2012.

Clerk