



[CITY OF]
O T T U M W A

TENTATIVE AGENDA
OTTUMWA CITY COUNCIL

SPECIAL MEETING NO. 19
Room 108, City Hall

June 21, 2022
3:00 O'Clock P.M.

PLEDGE OF ALLEGIANCE

ROLL CALL: Council Member McAntire, Hull, Pope, Roe, Galloway and Mayor Johnson.

APPROVAL OF AGENDA

IDENTIFICATION OF CITIZENS DESIRING TO COMMENT ON AGENDA ITEMS:

(When called upon by the Mayor, step to the microphone; state their name, address and agenda item to be addressed. The Mayor will invite you to address the Council when that topic is being discussed. Remarks will be limited to **three minutes or less**. The City Clerk shall keep the time and notify the Mayor when the allotted time limit has been reached. Comments are to be directly germane to the agenda item being discussed; if not directly germane as determined by the Mayor will be ruled out of order.)

All items on this agenda are subject to discussion and/or action.

1. Work Session to discuss Franchise Fees prior to hearing and considering Ordinance.

PUBLIC FORUM:

The Mayor will request comments from the public on topics of city business or operations other than those listed on this agenda. Comments shall not be personalized and limited to three minutes or less. Comments not directly applicable to operations, inappropriate, or an improper utilization of meeting time, as determined by the Mayor, will be ruled out of order. When called upon by the Mayor, step to the microphone; give your name, address and topic on which to address the Council. The Council is not likely to take any action on your comments due to requirements of the Open Meetings Law. Pertinent questions, comments or suggestions may be referred to the appropriate department, city administrator or legal counsel for response, if relevant.

ADJOURNMENT

***** It is the goal of the City of Ottumwa that all City Council public meetings are accessible to people with disabilities. If you need assistance in participating in City Council meetings due to a disability as defined under the ADA, please call the City Clerk's Office at (641) 683-0621 at least one (1) business day prior to the scheduled meeting to request an accommodation. *****



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FAX COVER SHEET

City of Ottumwa

DATE: 6/17/2022 TIME: 10:45 AM NO. OF PAGES 2
(Including Cover Sheet)

TO: News Media CO: _____

FAX NO: _____

FROM: Christina Reinhard

FAX NO: 641-683-0613 PHONE NO: 641-683-0620

MEMO: Tentative Agenda for the Special Work Session Meeting #19 to be held on 6/21/2022 at 3:00 P.M. in Room 108 at City Hall.

*** FAX MULTI TX REPORT ***

JOB NO. 1260
DEPT. ID 4717
PGS. 2
TX INCOMPLETE -----
TRANSACTION OK 96847834
916606271885
96823269
ERROR 96828482

Ottumwa Courier
KTVO
Ottumwa Waterworks
Tom FM



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Things to know about **franchise fees**

Overview

- Iowa cities currently have the right to implement a franchise fee of up to 5% as part of their agreements with franchised utilities that operate within their rights-of-way.
- Franchise fees can only be implemented by a city if franchise fee language is part of the city's franchise agreement with a utility. Once the language is adopted, the percentage of franchise fee can be adjusted by the city council according to terms of the franchise agreements.
- The city must follow a statutory process to implement a franchise fee. (See back page.)

What is a franchise fee?

- A franchise fee is assessed as a percentage of gross revenue collected in the city by the utility. The franchise fee is displayed as a line item on each customer's energy bill.
- A franchise fee ordinance must be adopted by the city prior to being implemented.

How does a franchise fee benefit your community?

- Franchise fees provide additional revenues to fund city projects.
- Franchise fees provide a stable source of revenue for the city over a 25-year time period.

How does a franchise fee benefit Alliant Energy?

- Alliant Energy does not financially benefit from franchise fees.

How is a franchise fee implemented?

- A franchise fee can only be assessed by the city when included in an active franchise agreement with Alliant Energy.
- When renewing or amending a franchise with Alliant Energy, the city may ask that franchise fee language be included in the agreement.
- Iowa Code requires the city to adopt and publish a Revenue Purpose Statement and adopt an ordinance formally setting or increasing the franchise fee.

Who pays a franchise fee?

- Iowa Code states that a franchised utility can be assessed a franchise fee, which will be included on customers bills.
- The amount of franchise fee is shown on a customer's monthly energy bill.

How often would the city receive payment of the fees collected by Alliant Energy?

- Franchise fee revenues are paid to the city quarterly by Alliant Energy.

How is the fee determined?

- The fee is set as part of the franchise ordinance and is based on a percentage of the utility's gross revenues of energy sales.
- The fee is calculated as a percentage of a customer's total monthly energy bill.

(continued on back)



What is the maximum percentage of franchise fee that can be assessed by the city?

- Currently, 5% that may be assessed by the city, per Iowa Code.

What can franchise fees be used for?

- Iowa Code, Section 384.3A, defines how a city can use franchise fees.

What are the steps to implementing a franchise fee?

1. The city and Alliant Energy agree on the language of a franchise ordinance that includes a franchise fee.
2. The city develops, passes and publishes a Revenue Purpose Statement describing how the franchise fee is to be used.
3. The city holds a public hearing on the franchise ordinance and passes the ordinance, as stipulated by Iowa law. All public notice requirements must be met.
4. Alliant Energy and the city complete required franchise paperwork, including an original signed copy of the ordinance, a Clerk's Certificate and Alliant Energy's Letter of Acceptance. The city must also provide a copy of and proof of publication of its Revenue Purpose Statement.
5. The city provides Alliant Energy the names, service addresses and account numbers of the city-owned accounts that will be exempt from the franchise fee.
6. Alliant Energy creates and tests a billing program uniquely designed for the city's franchise fee.
7. Alliant Energy files an updated franchise fee tariff with the Iowa Utilities Board (IUB).
8. The IUB reviews and approves the new or revised tariff.
9. Assessment of the franchise fee begins only after Alliant Energy has received written authorization from the IUB.

How long does it take to implement a franchise fee?

- Implementing a franchise fee typically takes six months after the franchise fee has been adopted by the city council.

Can the franchise fee be adjusted?

- The city may adjust the assessed percentage if the active franchise agreement includes specific terms.
- Iowa Code requires the city to prepare, adopt and publish a Revenue Purpose Statement and adopt an amended franchise ordinance when increasing the franchise fee.
- Cities not interested in implementing a franchise fee at the time of franchise renewal may include a 0% fee that allows for future council action to subsequently implement a franchise fee.
- A city can lower or discontinue a franchise fee by writing Alliant Energy in a timely manner. As such an action requires a revision in company tariffs, the adjustment can only take effect upon Alliant Energy receiving approval from the IUB. Adjustments to a franchise fee may take up to six months to implement.

Can a franchise fee and a local option sales tax be assessed to utility customers?

- Iowa Code, Chapter 422B.8, prohibits both a local option sales tax and a franchise fee to be included on a customer's utility bill. The franchise fee would replace the local option sales tax on the customer's monthly Alliant Energy bill. The local option sales tax would still remain on other goods and services sold in town.

Contact information

Keith Sherman

Sr. Community Relations Manager
(641) 437-5255
keithsherman@alliantenergy.com

384.3A Franchise fee account — use of franchise fee revenues.

1. A city that assesses a franchise fee pursuant to an ordinance that is adopted or amended on or after May 26, 2009, to increase the percentage rate at which franchise fees are assessed under section 364.2, subsection 4, paragraph "f", shall establish a franchise fee account within the city's general fund. All revenues collected by a city pursuant to such an ordinance shall be deposited in the account. Interest earned on revenues deposited in the account shall remain in the account and be used for the purposes specified in this section. Moneys in the account are not subject to transfer to any other accounts in the city's general fund or to any other funds established by a city unless such transfer is for a purpose specified in this section.

2. Moneys in the account shall be used for the purposes of inspecting, supervising, and otherwise regulating each franchise approved by the city.

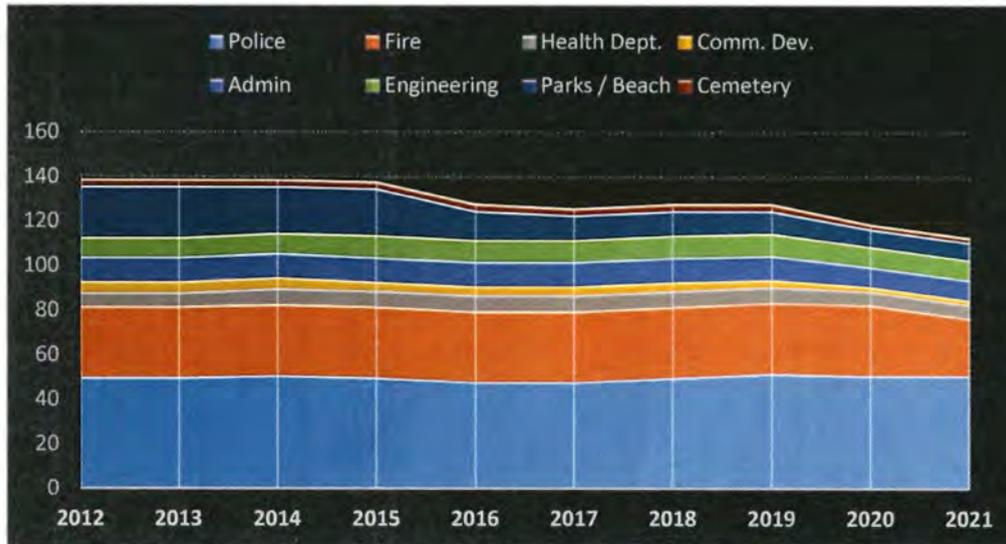
3. Moneys in the account in excess of the amount necessary for the purposes specified in subsection 2 shall be expended for any of the following:

- a. Property tax relief.
- b. The repair, remediation, restoration, cleanup, replacement, and improvement of existing public improvements and other publicly owned property, buildings, and facilities.
- c. Projects designed to prevent or mitigate future disasters as defined in section 29C.2.
- d. Energy conservation measures for low-income homeowners, low-income energy assistance programs, and weatherization programs.
- e. Public safety, including the equipping of fire, police, emergency services, sanitation, street, and civil defense departments.
- f. The establishment, construction, reconstruction, repair, equipping, remodeling, and extension of public works, public utilities, and public transportation systems.
- g. The construction, reconstruction, or repair of streets, highways, bridges, sidewalks, pedestrian underpasses and overpasses, street lighting fixtures, and public grounds, and the acquisition of real estate needed for such purposes.
- h. Property tax abatements, building permit fee abatements, and abatement of other fees for property damaged by a disaster as defined in section 29C.2.
- i. Economic development activities and projects.
- j. For franchise fees assessed and collected by a city in excess of five percent of gross revenues generated from sales of the franchisee within the city pursuant to section 364.2, subsection 4, paragraph "f", subparagraph (1), subparagraph division (b), during fiscal years beginning on or after July 1, 2013, but before July 1, 2030, the adjustment, renewal, or extension of any part or all of the legal indebtedness of a city, whether evidenced by bonds, warrants, court-approved settlements, court-approved compromises, or judgments, or the funding or refunding of the same, if such legal indebtedness relates to restitution, a refund, or a return ordered by a court of competent jurisdiction for franchise fees assessed and collected by the city before June 20, 2013. This paragraph "j" is repealed July 1, 2030.

2009 Acts, ch 179, §230, 231; 2013 Acts, ch 140, §149, 150; 2014 Acts, ch 1092, §§88, 197, 198
Referred to in §364.2

Gen Fund Positions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
				-1	-10	-2	2	0	-9	-6	-26
Police	50	50	51	50	48	48	50	52	51	51	1
Fire	32	32	32	32	32	32	32	32	32	26	-6
Health Dept.	6	6	7	7	7	7	7	7	6	6	0
Comm. Dev.	5	5	5	4	4	4	4	3	2	2	-3
Admin	11	11	11	11	11	11	11	11	9	9	-2
Engineering	9	9	9	10	10	10	10	10	9	9	0
Parks / Beach	23	23	21	21	13	11	11	10	8	8	-15
Cemetery	3	3	3	3	3	3	3	3	2	2	-1
	139	139	139	138	128	126	128	128	119	113	-26

Non-GF Positions	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
PW Maint	28	28	27	27	27	27	26	26	22	22	-6
Library	11	11	11	11	11	11	10	10	11	11	0
Solid Waste	12	12	12	11	11	11	10	10	9	9	-3
Sewer	21	21	21	21	22	22	22	22	23	23	2
Transit / Golf	17	17	17	19	19	20	20	18	18	0	-17
	228	228	227	227	218	217	216	214	202	178	-50



Estimated Revenue from Franchise Fees by Utility

	0% (LOST)	1.0%	2.0%	3.0%	4.0%	5.0%
Alliant Energy	\$ 251,862	\$ 390,000	\$ 780,000	\$ 1,170,000	\$ 1,560,000	\$ 1,950,000
Mid-American Energy						
42.2% Residential	\$ 62,000	\$ 124,000	\$ 186,000	\$ 248,000	\$ 310,000	\$ 310,000
57.8% Non-Residential	\$ 85,000	\$ 170,000	\$ 255,000	\$ 340,000	\$ 425,000	\$ 425,000
Subtotal	\$ 94,933	\$ 147,000	\$ 294,000	\$ 441,000	\$ 588,000	\$ 735,000
Combined:	\$ 537,000	\$ 1,074,000	\$ 1,611,000	\$ 2,148,000	\$ 2,685,000	\$ 2,685,000
Estimated LOST \$:	\$ 346,795					

New Revenue Over LOST:	\$ 190,205	\$ 727,205	\$ 1,264,205	\$ 1,801,205	\$ 2,338,205