

July 13, 2015

To: Mayor and City Council Members

From: Douglas G. Faseler
City Manager



Re: Franchise Agreement with the Guadalupe Valley Electric Cooperative (GVEC)

Cities enter into franchise agreements with utilities in order to regulate the utilities use of the city's right of ways and to establish service standards. These regulations set out standards for the utility such as street light spacing, placement of electric lines, street repair specifications, and line extension requirements to name a few. Even though areas within the City of Seguin have been served by GVEC for decades, there has never been a formal franchise agreement between GVEC and the City. Staff has been working with GVEC management over the past two years in the development of an agreement. Attached is the proposed agreement that the two staffs have developed, and the GVEC Board has approved for implementation.

Franchise agreements also provide for the payment of a franchise fee to the city for the use of the city's right of ways for the placement of the utility's facilities. In the absence of an agreement, GVEC has been paying the City a 2% franchise fee based on their gross receipts on an annual basis. In the negotiated agreement GVEC has agreed to pay a 3% franchise fee to the City of Seguin effective October 1, 2015. This fee is shown on their customer's bills as a franchise fee to the City of Seguin. Earlier this year the City of Seguin received \$221,388 for FY 2015 which was based on GVEC's electric sales in 2014. The proposed agreement now calls for payments to the City on a quarterly basis, therefore we will receive another payment for FY 2015 for the first 9 months of the year at the 2% rate of approximately \$150,000. The City will then start receiving payments on a quarterly basis and is estimating revenue in FY 2016 of \$325,000 based on the 3% rate. For your review attached is a survey of franchise fees by other communities. You will notice that the City of Seguin's fee is still below these levels, but I must state that GVEC does not bill the City for the electric use of their street lights in our city, while other utility providers do bill their respective cities for this service.

Staff recommends approval of the proposed franchise agreement with GVEC. Please feel free to contact me if you have any questions.

C.c. Rick Cortes
Susan Caddell
Andy Quittner