

# Franchise Fee Implementation

Virtual Public Open House

August 26, 2020

Franchise Fees



Street Improvement Fund



Pavement Management Program

## Street Improvement Fund Goal

To provide funding for a pavement management program; committing to maintaining a sustainable and consistent source for pavement management.

Reduces overall street repair costs by doing the “**right action at the right time**”.

# Why consider Franchise Fees?

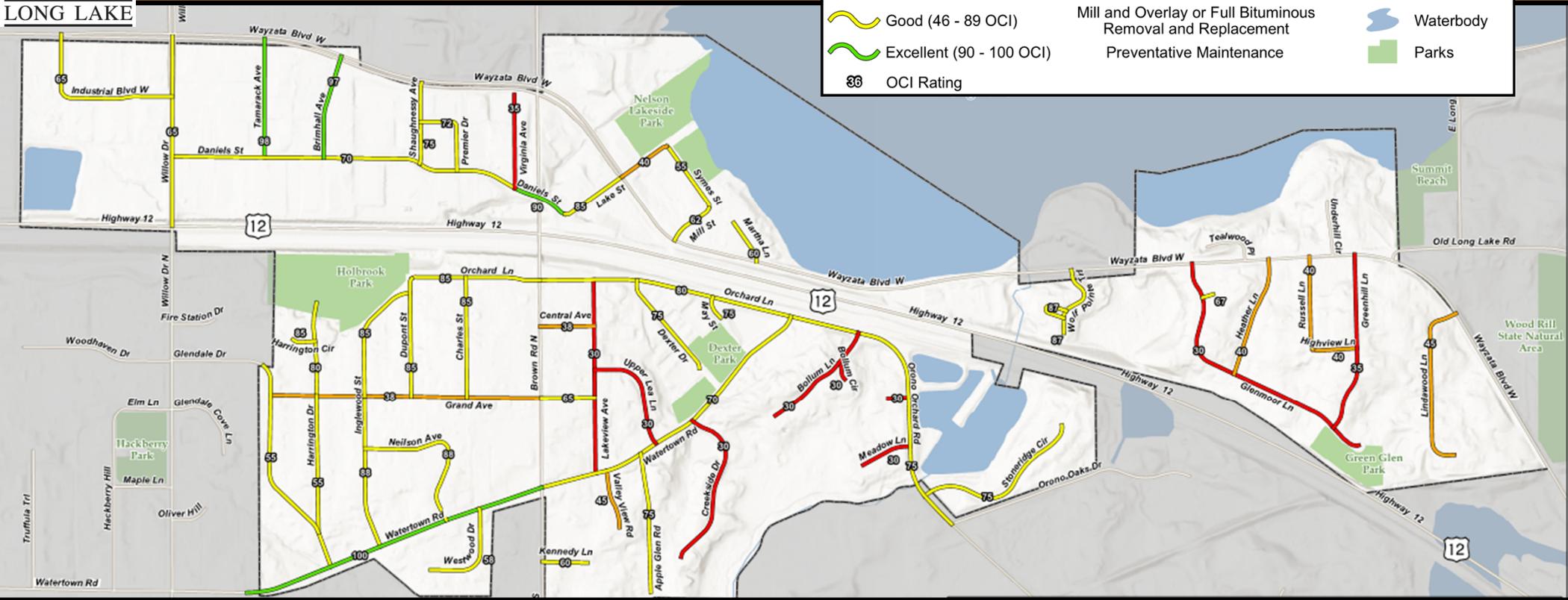
## Street Rehabilitation Funding Tools

- Special Assessments
- Bonding
- Storm Sewer Fund
- Sanitary Sewer Fund
- Watermain Fund
- **Street Improvement Fund**
  - Franchise Fees



CITY OF  
LONG LAKE

Pavement Rating	Maintenance Strategy	Other Features
Poor (0 - 35 OCI)	Reclamation or Reconstruction	Other Roads
Fair (36 - 45 OCI)	Do Nothing, Monitor	River/Stream
Good (46 - 89 OCI)	Mill and Overlay or Full Bituminous Removal and Replacement	Waterbody
Excellent (90 - 100 OCI)	Preventative Maintenance	Parks
OCI Rating		



1.7 miles at Poor: 0 – 35

1.2 miles at Fair: 36 – 45

5.3 miles at Good: 46 – 89

0.8 miles at Excellent: 90 - 100

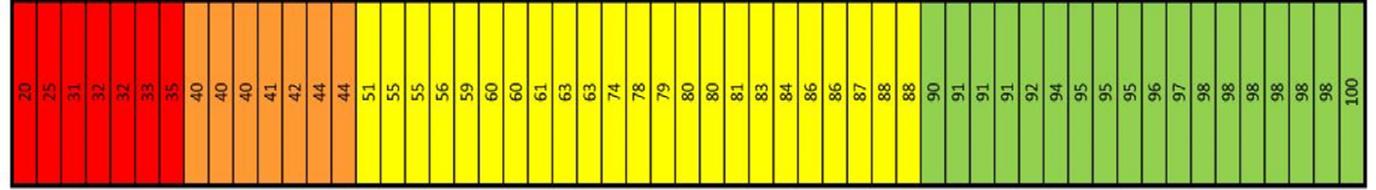
9 Total Miles of Street

## Pavement Rating

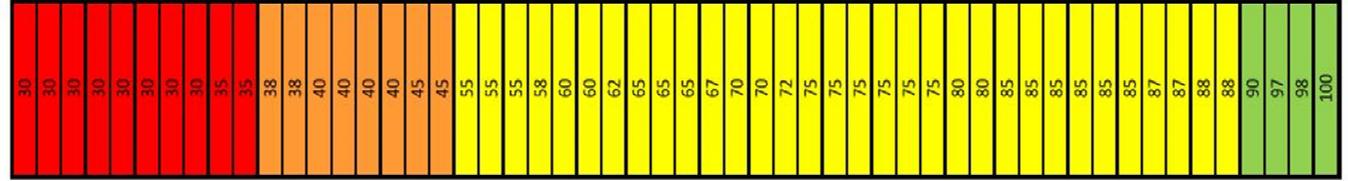
-  Poor (0 - 35 OCI)
-  Fair (36 - 45 OCI)
-  Good (46 - 89 OCI)
-  Excellent (90 - 100 OCI)

# Pavement Ratings (no improvements)

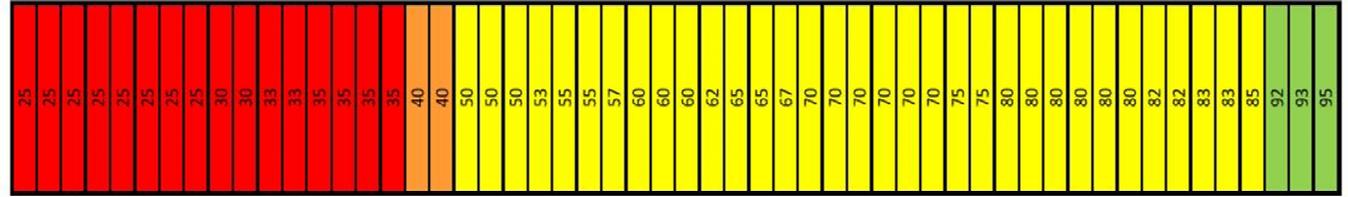
2015



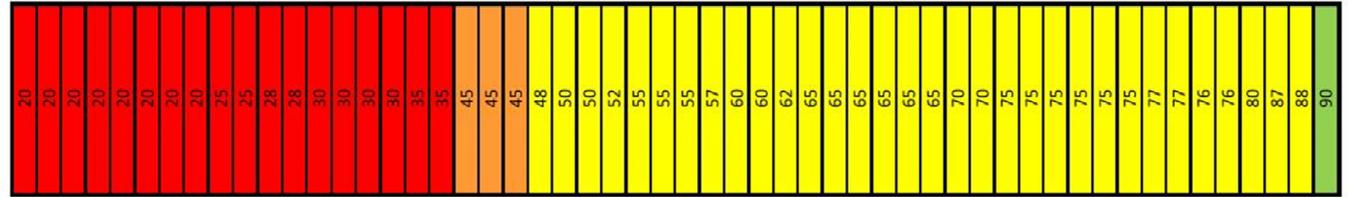
2019



2025



2030





## Proposed Pavement Management Plan

Revised July 7, 2020

Year	Project	Estimated Cost	Total Cost
2022	Grand Avenue Glendale Dr to Harrington Dr	\$ 1,051,000	\$ 1,051,000
2023 - 2025	Overlay Streets - TBD* Possibly: Creekside Dr, Bollum Ln, Bollum Cir, Orchard Cir	Projects range from \$50,000 to \$200,000 based on need / budget	\$600,000
2026	Grand Avenue Harrington Dr to Charles St*	\$ 1,230,000	\$ 1,230,000
2027 - 2029	Overlay Streets - TBD* Possibly: Meadow Ln, Westwood Dr, Kennedy Ln, Valley View Rd, Apple Glen Dr	Projects range from \$50,000 to \$200,000 based on need / budget	\$600,000
2030	Grand Avenue Charles St to Lakeview Ave*	\$ 1,228,000	\$ 1,228,000
<b>Approximate Total Investment</b>		<b>\$</b>	<b>\$ 4,709,000</b>

\*Roadways will be selected prior to the project based on need and available funding. Streets listed in this plan are good candidates as of 2020 but this list is not exhaustive. Streets may be added or deleted from this list.

The PMP will be reviewed by the City Council on a regular basis and changes will be made as needed.

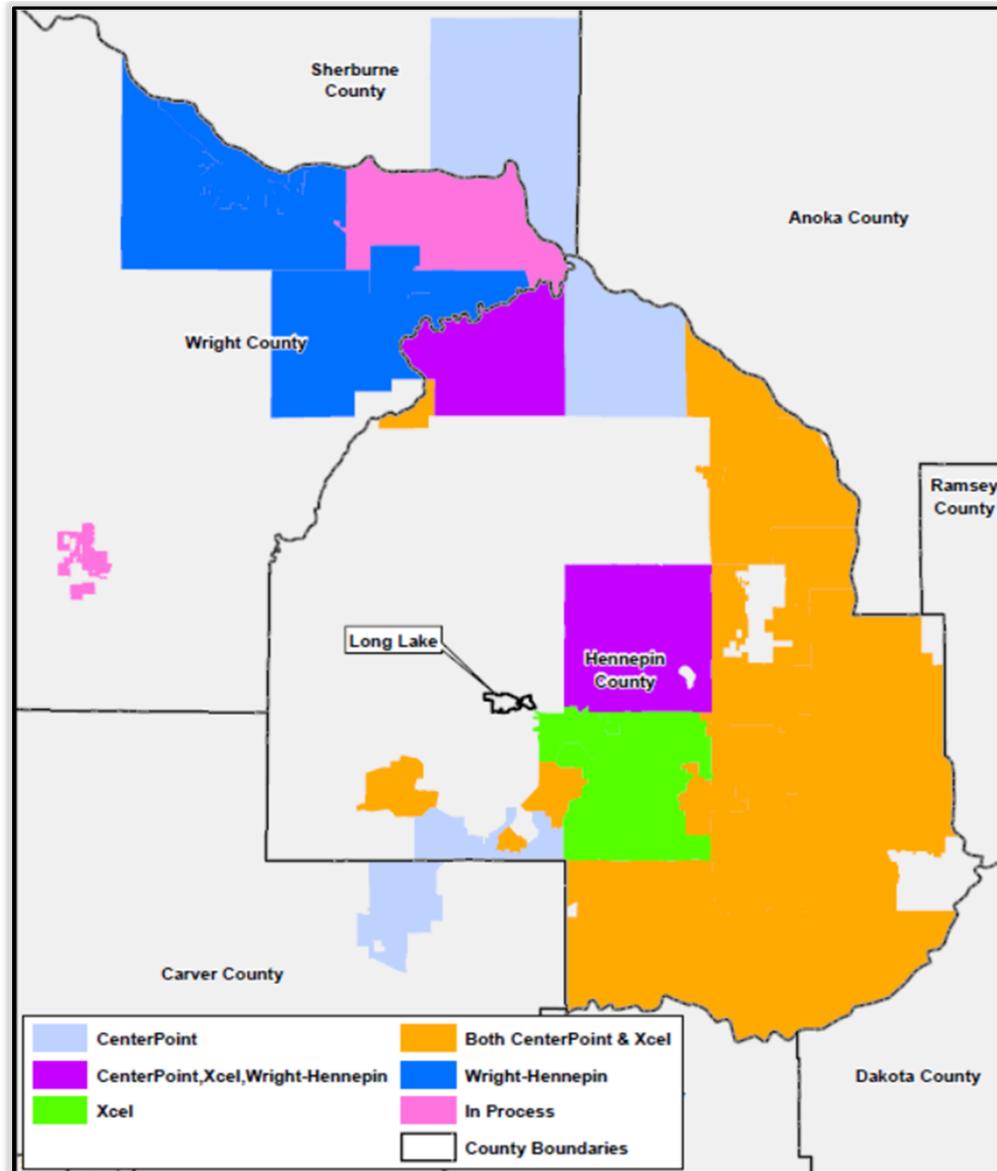


# Street Improvement Fund Franchise Fee

## What is the City's authority to charge a franchise fee?

Minnesota State Statutes allow for a city to impose a fee on a utility company for its use of publicly owned right-of-way. Many cities through-out the state have adopted franchise fee ordinances. Within Hennepin County approximately 86 - 90% of the population pay franchise fees to the utility companies that are passed through to the specific cities. Several of these cities utilize this revenue source for their related Pavement Management Programs.

# Nearby Franchise Fee Users



# Hennepin County

## Location

**Brooklyn Center**  
**Brooklyn Park**  
**Champlin**  
**Eden Prairie**  
**Edina**  
**Golden Valley**

## Franchise Fee Use

Capital Projects Fund- Street reconstruction fund for street projects  
Capital Projects Fund- City's Pavement Management Program  
Capital Projects Fund- Infrastructure Replacement  
Capital Projects Fund - Pavement Management  
Capital Projects Fund- sidewalks and bike trails  
Capital Projects Fund - street reconstruction fund for street projects (Douglas Drive)

**Minnetonka**  
**Plymouth**  
**Richfield**  
**Rogers**  
**St. Louis Park**  
**Albertville**  
**Monticello**  
**St. Michael**

Capital Projects Fund - Burial of electric lines and street lighting  
Capital Projects Fund - Street reconstruction fund for street projects  
Capital Projects Fund - Overlay, sealcoating and removal of diseased trees  
Capital Projects Fund - City's Pavement Management Program  
Capital Projects Fund - City's Pavement Management Program  
Partially used for streetlight replacement and light maintenance  
Streetlight replacement and light maintenance  
Capital Projects Fund with 15% for streetlight maintenance

# Street Improvement Fund Franchise Fee

## **Are Franchise fees just another tax?**

While not technically considered a “tax,” this is a new dedicated revenue source for the City which would be collected from utility users in Long Lake, and it could be said that it has nearly the same effect as a tax. However, it is not levied in the way that a property tax is levied, given that franchise fees are not tied to the value of a property. Thus all single-family homes would pay the same amount toward the Pavement Management Program assuming they have both gas and electric services. Specifically, franchise fees are a method of collecting funds from utility companies who use City rights of way. These funds are typically passed directly through to all commercial businesses, tax exempt properties, and residents that use the street system.

## **What are the franchise fee funds proposed to be used for?**

The franchise fees would be set aside in a dedicated Street Improvement Fund and would be used solely for expenditures related to the Pavement Management Program for the city streets.

## Estimated Fee Calculation (from Xcel Energy data)

CUSTOMER CLASS - XCEL	COUNT	ESTIMATED ANNUAL FRANCHISE FEE REVENUES	EQUIVALENT MONTHLY FLAT FEE
Residential	759	\$54,648	\$6.00
Small C&I – Non-Demand	185	\$19,980	\$9.00
Small C&I – Demand	67	\$36,180	\$45.00
Large C&I	*9	\$21,600	\$200.00
Public Street Lighting	4	\$288	\$6.00
Municipal Pumping – Non-Demand	2	\$144	\$6.00
Municipal Pumping – Demand	1	\$72	\$6.00
<b>Xcel Estimated Totals</b>	<b>1,027</b>	<b>\$148,884</b>	

# Estimated Fee Calculation (from CenterPoint data)

REVENUE PREDICTION MODEL				
Allows for a different flat fee to be assessed by each rate class (per meter)				
Rate Class	# of meters	Flat Rate Fee per Month	# months	Franchise Fee Revenue (Yearly)
Residential	703	6.00	12	\$50,616
Com - A	101	6.00	12	\$7,272
Com/Ind-B	70	30.00	12	\$25,200
Com/Ind-C	35	84.00	12	\$35,280
<b>TOTAL</b>	<b>909</b>			<b>\$118,368</b>

**\* Rate Class Key:**

SVDF = Small Volume Dual Fuel – 84.00

Com=Commercial

LVDF = Large Volume Dual Fuel – 84.00

Com/Ind = Commercial/Industrial

## Potential Revenues

Center Point	\$118,368
Xcel	<u>\$132,912</u>
Total Annually collected	<b>\$251,280</b>

## Tax Levy Vs. Franchise Fee

- In 2020 approximately every 1% levy increase equals approximately \$31,000
- Franchise Fee estimated at \$251,280
- This would be a levy increase of 8.1%

# Financial Accountability

- Proposed fees are planned and stable for the Pavement Management Program
- Program will be a part of the annual budget process as the fees are a revenue source and council controls spending
- Council will review the franchise fee amount from time-to-time and will not change amounts more frequently than annually
- The dedicated use the franchise fee funds can only be changed by a 4/5 vote by council
- Council will approve every project and determine where to spend the funds



## Schedule

- July 7th - Council would recommend moving forward
  - Approve Pavement Management Plan
  - Approve WSB Proposal for Franchise Fee Process Implementation
- July 21st - Meeting with council to discuss process, review draft ordinances and documents for public engagement and set the public hearing date
- August 4th - Council reviews final draft ordinances, fees, frequently asked questions and public engagement documents, prior to public notification.
- August 13th & 14th - Public Engagement information is posted onto website
- August 15th - Legal notice for public hearing to appear in the paper
- **August 26th - Virtual Public Open House**
- **September 1st - Public Hearing to adopt Franchise Fee ordinances**
  - Council considers adopting franchise agreements
  - Utilities need 90-days to implement fees
  - January 2021 (estimated) - first collection of fees

## Overall Goal

To provide funding for a street improvement program; committing to maintaining a sustainable and consistent funding source for pavement management.



# Discussion / Questions

