

## ***Frequently asked questions (FAQs) concerning the implementation of franchise fees for the City of Long Lake***

### **What is the Pavement Management Program (PMP)?**

The City of Long Lake has the responsibility for upkeep of approximately nine center lane miles of city streets within its boundaries. This includes seasonal maintenance activities such as snow removal, crack sealing, street patching, sweeping, as well as structural maintenance of the street. The City of Long Lake has made a commitment to its residents to provide a systematic program of street rehabilitation and repair in order to assure that the City streets are serviceable, safe, functional, and provided at a reasonable cost to meet the needs of our residents and the traveling public. The City of Long Lake Pavement Management Program (PMP) strives to expend taxpayer funds in a cost-effective manner in order to ensure the most value for residents.

Every mile of Long Lake streets are evaluated and assigned an Overall Condition Index (OCI). The OCI is a numeric reflection of the structural integrity of the pavement including potholes, cracking, rutting, etc. The OCI assists staff in developing the list of the streets that are in need of maintenance. OCI ratings were last determined in August of 2019. A map of these ratings is available on the City's website. City staff analyzes the recommended streets and proceeds with improvements in a manner that makes sense and is within the funding provided. The goal of the program is to do the right maintenance at the right time.

Two construction techniques are used as part of the PMP program: Mill and Overlay, and Reconstruction. Mill and Overlay involves grinding off the top layer of surface and installing a new top layer of pavement. This is a structural improvement and extends the life cycle of the original pavement. Reconstruction removes and replaces the existing asphalt pavement and aggregate base and may install curb and gutter if not already present. The City hires an outside contractor to perform both the overlay and reconstruction projects.

### **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 (Xcel and CenterPoint Energy) 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 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 will franchise fee funds be used for?**

The franchise fees will be set aside in a dedicated fund (Street Improvement Fund) and will be used solely for expenditures related to the Pavement Management Program for the City's streets.

### **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 (MN Statute 216B.36). Many cities throughout the state have adopted franchise fee ordinances. Within Hennepin County approximately 86 - 90% of the population pays franchise fees to the utility companies that are passed through to the specific cities. The majority of these

cities utilize this revenue source for their related Pavement Management Programs.

### **How much will I be charged?**

Beginning in January 2021, residents will be charged \$6.00 on their electric bill and \$6.00 on their gas bill every month. Commercial/industrial properties will be charged based on the below schedule. You need to call your utility company to find out your classification. The noted rates developed will generate approximately \$250,000 for each of the next three years.

#### **Electric:**

- Residential - \$ 6.00
- Small Commercial/Industrial - Non-Demand \$ 9.00
- Small Commercial/Industrial - Demand \$ 45.00
- Large Commercial/Industrial - \$ 200.00
- Public Street Ltg - \$ 6.00
- Muni Pumping – N/D - \$ 6.00
- Muni Pumping – Dem - \$ 6.00

#### **Gas:**

- Residential - \$ 6.00
- Commercial, Small Volume A - \$ 6.00
- Commercial/Industrial, Small Volume B - \$ 30.00
- Commercial/Industrial, Small Volume C - \$ 84.00
- Small Volume, Dual Fuel A ("SVDF A") - \$ 84.00
- Small Volume, Dual Fuel B ("SVDF B") - \$ 84.00
- Large Volume, Dual Fuel ("LVDF") - \$ 84.00
- Large Volume Firm ("LGS/LVF") - \$ 84.00

### **I live in an apartment or townhome. Will I be charged a franchise fee?**

Yes, the fees are charged by electric and gas meter and you will pay the standard residential fee. The fee pays for your use and maintenance of the public city streets.

### **I have multiple bills for two or more meters on my property. Do I have to pay the fee more than once?**

The franchise fee is an account-based fee on each premise and not a meter-based fee. If you have multiple meters on the same bill, you will be charged only for the largest meter. If you have specific questions on your bill and/or meters, you will need to contact the utility company directly.

### **How often will the City review the franchise fee for consideration of changing the fee?**

The franchise fee may be increased or decreased by ordinance from time to time, however any such change may not occur more often than annually.

### **Why doesn't the City charge a fee to each property owner for street maintenance? Why go through a third party for collection?**

State law does not allow the City to charge a direct fee for maintenance of our system (i.e. a street utility fee). State law does allow for the collection of a franchise fee from utility service providers for their use of the right-of-way. Thus, the fee will be charged to the utility companies and then

dedicated to maintaining the City street system.

**When will the fee collection end?**

The monthly franchise fee will run indefinitely until the ordinance is changed by the City Council.

**Will property owners still be charged assessments for street reconstruction projects?**

Yes, assessments will still be levied on street reconstruction projects. The amount of franchise fee funds collected are only able to pay for a portion of the projects.

**How are street reconstruction projects paid for?**

A street reconstruction project not only repairs the pavement, it also repairs the existing utilities and installs drainage infrastructure where needed. This is done so the road pavement will not have to be disturbed again for several years. The projects are typically paid for by a combination of funds:

- Bonds, paid by city tax levy
- Assessments
- Storm Sewer utility funds
- Water utility funds
- Sanitary Sewer utility fund
- Franchise Fees (now being proposed for the street portion)

Example of a reconstruction project split (data from 2017 Watertown Road Improvement Project):

Total City Debt Service Levy	\$428,000
Water Fund Share	\$264,000
Sewer Fund Share	\$87,000
Storm Water Share	\$111,000
Special Assessments	\$155,000
<b>Total Project Costs</b>	<b>\$1,045,000</b>