

Franchise Fee Questions/Responses

October 8, 2013

1. Are properties on County roadways assessed the franchise fee?

Response:

All utility accounts will be assessed the franchise fee based upon their classification (e.g., residential, commercial) and the type of road that they are on does not make a difference.

2. Can utilities charge an administrative fee on top of the franchise fee?

Response:

No. The Minnesota Public Utilities Commission has ruled that utilities may not charge an administrative fee on municipal franchise fees.

3. What additional levy capacity does the City have?

Response:

By statute, the City had the additional levy capacity to raise approximately \$931,000 in 2014, but chose not to levy this additional amount with the establishment of the preliminary levy in September 2014. There currently is no levy limit in place for 2015.

4. Can the City exempt properties that don't front a city street from the franchise fee?

Response:

All residential properties would need to pay the franchise fee to the utilities, but the City could, by policy, give annual rebates to certain types of properties. This is not included in the current proposal. If the City exempts or reduces the franchise fee on some properties by giving a rebate, overall revenue would decrease, or the fee would need to be increased on other properties as an offset.

5. What types of projects have come to the City with the assistance of Economic Development staff?

Response:

The economic development staff of the City has assisted many business and industrial projects over the years in Ramsey. It is impossible to determine which projects are solely attributable to the Economic Development manager position, but every project that involved City assistance, or the sale or lease of City property, required considerable work by City staff. Ramsey's employment base increased by 771 employees from 2000 to 2010. For most of that period, the City has had a dedicated economic development position.

6. Why are some people calling this a "30% tax increase"?

Response:

This number appears to be derived from taking the franchise fee revenue (calling it a "tax") combining it with the 2014 proposed levy, and subtracting it from the 2013 levy. It does not take into account that the Road Maintenance Program would require revenue to be replaced by the tax levy, assessments, or other sources to be implemented.

7. What happens to excess funds generated by the franchise fee?

Response:

Any fees collected, but not spent, during the fiscal year would be put into a dedicated interest-bearing road maintenance account for use in the subsequent year.

8. What happens if there is a shortfall in franchise fees?

Response:

If there is a shortfall in franchise fee revenue, the project schedule will be adjusted to fit revenue. The City will review the funding for the Road maintenance Program at the end of the five-year term of the ordinance.

9. What are cities without franchise fees doing to pay for road repair?

Response:

Cities without franchise fees typically fund street maintenance projects using a combination of Municipal State Aid allocations (if eligible), general funds, general obligation bonds, and/or special assessments.

10. Can the City consider restrictions and limits on the implementation and use of franchise fee by Charter?

Response:

The City Attorney has determined that it would be legal for the Charter Commission to consider such guidelines as Charter provisions.

11. How much is the City benefitting in 2014 by tax increment districts that are being decertified?

Response:

The City's projecting that an additional \$1,260,496 of net taxable value will be added to the City in 2014 due to tax increment district decertification. This money generated by this increased value has been earmarked to pay the annual debt on the municipal center, without having to raise the tax capacity rate.

12. What happens to properties that don't have gas or electric service?

Response:

Properties that have neither a gas nor an electric bill will not be charged a franchise fee.

13. Can the City put the road fee onto the City utility bill instead of the gas and electric utilities?

Response:

No. There is no statutory authority in Minnesota to charge a road fee to the City utility bill. A franchise fee for gas and electric utilities is allowed by state statute 216B.36.

14. What happens to the fee for those that are receiving energy assistance?

Response:

The franchise fee is considered part of the regular utility bill and the same rules for energy assistance and collection apply to the franchise fee.

15. Do the apartments at the residence at the COR each have gas and electric meters?

Response:

The individual apartments have electric meters, and the complex itself has one large gas meter for the residential side, and a gas meter for the dental office.

16. What is the process the City will use to eliminate assessments?

Response:

The proposed franchise fee ordinance explicitly states that that the franchise fee is “in lieu of special assessments.”

17. Is the repair and maintenance of the street based upon a schedule or the condition of the road?

Response:

Repair and maintenance of any particular road section will be based upon the road condition as determined by an annual inspection, not by a fixed schedule.

18. When will Minnesota State Aid Funds (MSA) be available to put towards this program?

Response:

Some MSA funds will be available in 2019, but the majority of MSA funds are committed through 2022.

19. Can the use of the franchise fee be restricted to just road repair and maintenance?

Response:

Yes, this will be done by ordinance.

20. Can we do a tiered franchise fee rates based upon residential values?

Response:

The utilities cannot bill different rates to different residential customers. City staff is researching the option of an annual rebate that would be tied to property valuation, but the City would need to bear all the administrative cost of such a program.