

## City Considering Franchise Fees to Fund Long-Term Street Maintenance Program

The city of Ramsey recently adopted a Three-Year Strategic Action Plan which identifies a goal of maintaining all city streets to an average ongoing rating of 6.5 using the Pavement Surface Evaluation and Rating (PASER) system. To achieve this goal on all 174+ miles of city streets, the estimated annual cost over the next 5 years (2014 through 2018) would be \$2,202,000. Over the next 10 years (2014 through 2023) the estimated annual cost would be \$2,525,000, and over the next 60 years (2014 through 2073) the estimated annual cost would be \$4,368,000.

The estimated life-span of a typical city street in Ramsey is 60 years assuming routine maintenance operations are performed over the life of the street. If routine maintenance is not performed, the estimated life of a typical street is less than 30 years. The routine maintenance plan that is currently proposed includes:

- Crack sealing streets 3 years after initial construction, overlays, and reconstructions
- Crack sealing/seal coating streets in years 6, 13, 26, 33, 46, and 53
- Overlaying/edge milling streets in years 20 and 40
- Reclaim/repave or reconstruct streets around year 60



Crack Sealing



Street Overlay

In order to allow city streets to be maintained as cost-effectively as possible, it is critical that the city utilize a reliable, long-term funding source for the long-term street maintenance program.

### Funding Source

Funding sources for recent city street improvement projects have included the use of special assessments for sealcoating and overlay projects, as well as Municipal State Aid allotments, General Obligation bonds, and general levy budgeting. Unfortunately, these funding sources are becoming less and less reliable due to shrinking state and local agency budgets and more frequent petitioning against projects results in project cost increases and/or project delays.

Other funding sources include applying for grants, the use of Public-Private Partnerships, special legislation (such as Street Improvement Districts), and/or the implementation of utility franchise fees. Of these, only franchise fees can provide a reliable, dedicated funding source to ensure that all routine maintenance operations can be funded and completed on schedule to cost-effectively maintain all city streets.

### Public Hearing

On October 8th, the City Council will hold a Public Hearing to solicit input regarding the implementation of utility franchise fees through our electric and gas utility providers (Anoka Municipal Electric, CenterPoint Energy, and Connexus Energy) to help fund the long-term street maintenance program.

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The City Council identified the following terms that would need to be met before implementing a franchise fee program.

- Special assessments would not be used to fund projects as long as franchise fees are used.
- Franchise fees would only be spent on street maintenance program projects; nothing else.
- Franchise agreements would include 5 year sunset terms so the city can research new funding sources and compare revenues versus costs after 5 years, then consider adjustments as needed.
- A rebate program would be applied to prevent those currently paying an assessment on a previous street improvement project, or who paid an assessment up-front but would otherwise still be paying the assessment, from paying franchise fees on top of their assessments.

Cities are authorized by State Statute to impose franchise fees on utilities operating within public right-of-ways. The utility companies typically pass the franchise fee costs along to consumers via their invoices, along with a note stating that the fee is being imposed by the city. Franchise fees can and will be dedicated solely to help pay for the maintenance of city streets.

### Budget

The city currently budgets \$500,000 annually to help fund the street maintenance program. A franchise fee of \$8 per month for each gas and electric utility serving all commercial, industrial or residential properties throughout the city, would generate approximately \$1,700,000 in annual revenue, which would cover the remainder of the \$2,202,000 needed to fund the long-term street maintenance program over the next 5 years.

The draft Franchise Agreement/Ordinance language will be read during the Public Hearings on

October 8th. Then, based on input received from the Council on October 8th, final Franchise Agreements and Ordinances are proposed to be presented for Council adoption following the second reading on October 22nd. Notice of the Public Hearings will be published in the Anoka Union on September 27th.

An informal public Open House will be held from 6 to 9 p.m. on Tuesday, October 1st in the Lake Itasca Room at the Ramsey Municipal Center, 7550 Sunwood Drive NW. Various information concerning franchise fees will be presented at multiple stations around the room. Feel free to stop by the Open House anytime between 6:00 and 9:00 p.m.

### For more information on Franchise Fees:

- Visit the city website at [www.cityoframsey.com/Franchise\\_Fee](http://www.cityoframsey.com/Franchise_Fee)
- Attend the upcoming Open House any time from 6:00 - 9:00 p.m., Tuesday, October 1st
- Contact your City Councilmember via the city's web site at [www.cityoframsey.com/ramsey-city-council](http://www.cityoframsey.com/ramsey-city-council)
- Contact City Engineer Bruce Westby at [bwestby@ci.ramsey.mn.us](mailto:bwestby@ci.ramsey.mn.us) or 763-433-9825



Failing Pavement

