

## Ramsey Road Funding Frequently Asked Questions

### Road Funding Program Options

**Question:** What is a franchise fee?

**Answer:** Cities in Minnesota are allowed by state law to tax local utilities for their use of public road right-of-way to conduct their services. These fees, called franchise fees, are typically passed on to consumers on their monthly utility bill.

**Question:** How is the City able to implement a franchise fee?

**Answer:** The franchise fee is allowed by state law, and the process to implement the fee requires cities to hold a public hearing, pass an ordinance, and provide at least a 60-day notice to the utility company before the franchise fee becomes effective.

**Question:** When will the fee collection end?

**Answer:** The monthly franchise fee will run indefinitely until the ordinance is either changed by the Council, or, the ordinance lapses after a planned five-year initial term without Council renewal.

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

**Answer:** Only one fee will be assessed per account address even if there are multiple meters. The fee is account based and not meter based. In the event that an entity has more than one meter, but only one account, only one fee shall be assessed to that account. If an entity has more than one account, each account shall be subject to the appropriate fee. In the event a question arises as to the proper fee amount for any account, the highest possible fee amount shall apply (this is from our ordinance)

### City Finances

**Question:** Why are we considering changing the way we finance roads? What was the problem with our previous method?

**Answer:** The current method of financing roads would result in large tax increases and large individual assessments to property owners that have an adjacent street repaired. The franchise fee uses smaller monthly payments by all property owners to create a dedicated fund for the repair and maintenance of streets over the long-term.

**Question:** How much will I be charged?

**Answer:** Residents will see a charge of \$7 on their electric bill (City of Anoka or Connexus Energy) and \$7 on their gas bill (Centerpoint Energy) every month.

Commercial/Industrial properties will see a charge for each utility based on their largest meter size. The respective utility company can provide the proper meter classification.

Electric:	
Small Commercial/Industrial – Non-Demand	\$ 10
Small Commercial/Industrial – Demand	\$ 45
Institutional (Schools)	\$210
Large Commercial/Industrial	\$210

Gas:

Commercial/Industrial A (Up to 1,500 Therms)	\$ 10
Commercial/Industrial B (1,500-4,999 Therms)	\$ 20
Commercial/Industrial C (5,000 + Therms)	\$ 70
Small Volume, Dual Fuel A ("SVDF A")	\$148
Small Volume, Dual Fuel B ("SVDF B")	\$148
Institutional	\$148
Large Volume, Dual Fuel ("LVDF")	\$800

Road Construction

**Question:** Does the \$500,000 annual maintenance include construction and maintenance?

**Answer:** In 2020, \$200,000 includes maintenance. Crack sealing and the other \$300,000 is to going towards the Pavement Management Program.

**Question:** How does this affect dirt roads?

**Answer:** It typically doesn't have any effect on gravel roads. A typical policy is that you only pay once and then the city takes it over from the maintenance side.

**Question:** The county disbanded the wheelage tax. Does the City have that option?

**Answer:** No, only counties have that option.

**Question:** What's the most popular funding option among cities?

**Answer:** Assessments are the most popular. But even Edina, for instance, is running into the same problem we are and they're looking at options.

**Question:** Tax or fee is the same thing – you're going to assess it on a bill. But with property taxes, you can write it off? Is it true that a person can't write off a franchise fee, whereas raising property taxes would allow people to write it off?

**Answer:** Yes, it is true that franchise fees are not tax deductible. It's important to note that recent increases in the standard deduction make it less likely that a property owner will use property taxes as an itemized tax deduction. Special assessments, which provide specific benefits that increase the value of the property (which includes road improvements), may not be deducted. The interest portion of an assessment could be deducted if broken out separately on the tax bill, which is normally not itemized via principal and interest.

Franchise Fee Logistics

**Question:** Are the 100 percent tax levy and franchise fee are the same and it just depends on how you pay it?

**Answer:** Yes and no. A commercial property pays a larger share of a tax levy than a residential property. The franchise fees are a little more even. Someone in an apartment would pay the same as someone in a house. Exempt properties also don't pay tax levy, but they would pay the franchise fee.

**Question:** How do we know on the bill that the franchise fee is for roads and not other things?

**Answer:** The City Council would put language in place to ensure it goes to that purpose via City ordinance.

**Question:** We have a lot of new apartments. How are they figured into this?

**Answer:** All new apartments have independent gas and electric meters, so they can be treated like a single-family home and would pay a franchise fee.

**Question:** Are the utilities allowed to tack on a fee for administration of the franchise fee?

**Answer:** Generally, no. They pay the city on a quarterly basis, so they have a chance to accrue some interest.

**Question:** Is it possible to have a franchise fee where the expensive houses pay more than the smaller ones?

**Answer:** No, because the electric and gas companies can only bill based on the meter size.

**Question:** Under the franchise fee, churches are included?

**Answer:** Yes, since they have meters.

**Question:** If the apartment buildings have meters, every tenant pays the same as someone on a big lot?

**Answer:** Yes.

#### Franchise Fee Amounts

**Question:** Is the franchise fee based on usage?

**Answer:** No, it's a fixed amount for residential properties. For commercial, it's based on meter size.

**Question:** So under a franchise fee system, all I pay is around \$100-\$200/year and I'd never pay for an assessment?

**Answer:** Yes, that's right.