

RAMSEY ROAD PROPOSAL

Tax Levy vs Franchise Fee

Ryan Heineman - Ward 1



Ramsey Road Info

1. Ramsey has 178 miles of city operated roadways
2. 8% of roads have been rated poor with 22% rated fair and 70% rated good.
3. Reconstruction of our roads are estimated at \$1 million per mile with 14 miles in immediate need of road repair
4. Pavement Preservation is the most cost effective method for maintaining our roads and lessening the tax burden of our residents
5. The City Council evaluated three types of funding in 2019-2020 to include a Special Assessment + Tax Levy model, a Franchise Fee model and a 100% Tax Levy model

01

Fair Solution

The Franchise Fee is a Regressive Tax.
The lowest earners pay more proportionately

02

Current Issues

The Franchise Fee hurts businesses, will sun set and may need to increase

03

Future Spending/Solution

Paying off bonds will take time and roads will continue to deteriorate

04

Current Tax Liability

The average resident pays more under the Franchise Fee

05

Future Proof Solution

Tax Levy Scales as the City Scales in size and value

Three Types of Taxes

Regressive Tax:

A regressive tax is a tax applied uniformly, taking a larger percentage of income from low-income earners than from high-income earners. It is in opposition to a progressive tax, which takes a larger percentage from high-income earners.

Progressive Tax:

A progressive tax is based on the taxpayer's ability to pay. It imposes a lower tax rate on low-income earners than on those with a higher income.

Proportional Tax:

A proportional is a tax strategy in which the taxing authority charges the same rate of tax from each taxpayer, regardless of how much money the taxpayer makes. This means that lower-income, middle-income, or upper-income people pay the same tax percentage. Since the tax is charged at a flat rate for everyone, a proportional tax is often referred to as a flat tax.

**THE FRANCHISE FEE IS A
REGRESSIVE TAX, THIS
TAXES THE LOWEST
EARNERS IN RAMSEY
MORE OF THEIR
PROPORTIONATE INCOME
THAN HIGHER EARNERS.**

https://study.com/academy/lesson/proportional-tax-definition-examples.html?src=ppc_adwords_nonbrand&rentxt=aws&cr=519972749261&kwd=&kwid=dsa-1253079156202&aqid=125582019081&mt=b&device=c&network=s&campaign=SeoPPC&gclid=FA1a1QobChMlw7y_m8svP8QIV4GxvBB3-VQfXFAAYAiAAEgluofD_BwE

BUSINESSES LOSE

- Businesses can not write off their Franchise Fee, they can write off their property taxes
- The hidden fee fluctuates by energy consumption and creates unpredictable charges

NONPROFITS LOSE

- Nonprofits lose tax exempt status and provided by current tax laws
- The City Circumvents individuals State approved tax exemptions i.e. members of the elderly population, people on state aid, veterans with service related exemptions

LACK OF TRANSPARENCY

- New residents don't see the tax until they buy
- Many "out of the know" residents did not know or may still not know of the fee
- Many business owners were unaware
- Fee collect on utilities

SUNSETS WITHOUT A PLAN

- After five years the plan sunsets without an alternative
- Council can increase the FF at anytime
- Claims that it can not be utilized else wear are false, it can be, the council only agrees to limit its use

Totals by Funding Type

Fund/Need	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Need	\$1,947,029.00	\$1,996,029.00	\$1,987,029.00	\$1,795,129.00	\$2,109,869.00	\$1,942,464.00	\$2,279,533.00	\$1,981,813.00	\$1,773,400.00	\$17,812,295.00
FF	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$1,900,000.00	\$17,100,000.00
Tax Levy	\$1,749,801.00	\$1,837,291.05	\$1,929,155.55	\$2,025,613.20	\$2,126,893.80	\$2,233,238.40	\$2,344,900.20	\$2,462,144.25	\$2,585,251.35	\$19,294,288.80

Above

The City of Ramsey Pavement Management Fund-9435 outlines the future project cost for the Pavement Management Improvements plus rebates. These projects are listed from 2021-2030. Outlined above are the listed total of those projects and rebates for the years 2022-2030.

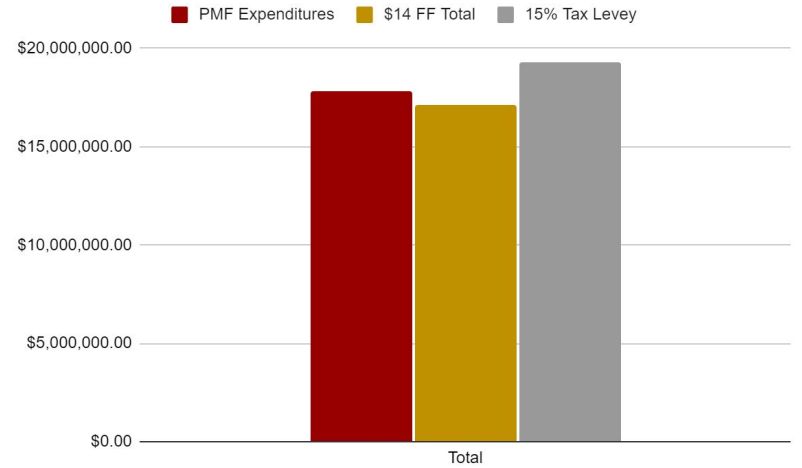
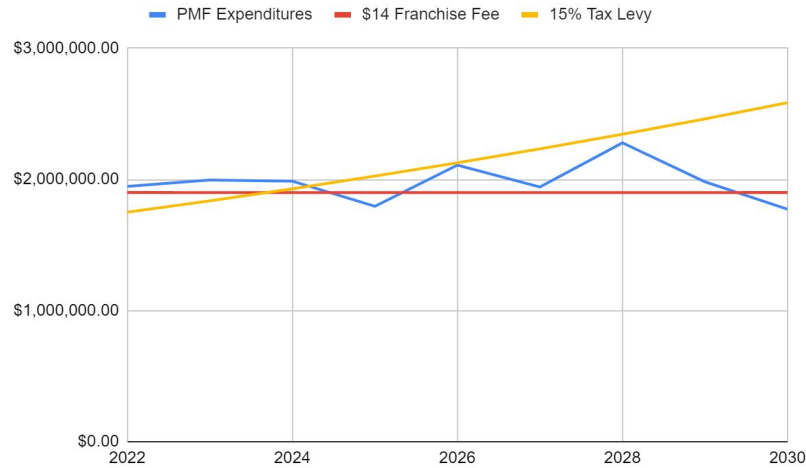
You will also see listed the total revenues gained via the Franchise Fee and the Tax Levy which will be illustrated below.

Below

The City of Ramsey has on average increase the General Tax Levy by 7.5% from 2014 to 2021. If the city sticks to a 5% average increase from 2022-2030 we will still generate enough excess revenue with the addition of the 15% increase to pay for the CIP projects with a surplus.

In addition, although 2022 and 2023 will run short of the \$1.9 Million the difference will be covered by the fund balance resulting in a stronger 2030 fund balance total than the Franchise Fee.

	7.5% Average Increase								5% Average Increase								
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Tax Capacity	\$7,272,007.00	\$7,961,871.00	\$8,261,529.00	\$8,685,635.00	\$9,361,993.00	\$9,902,044.00	\$10,625,932.00	\$11,109,848.00	\$11,665,340.00	\$12,248,607.00	\$12,861,037.00	\$13,504,088.00	\$14,179,292.00	\$14,888,256.00	\$15,632,668.00	\$16,414,295.00	\$17,235,009.00
If 15% increase	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Total Generated	\$1,090,801.05	\$1,194,280.65	\$1,239,229.35	\$1,302,845.25	\$1,404,298.95	\$1,485,306.60	\$1,593,889.80	\$1,666,477.20	1749801	1837291.05	1929155.55	2025613.2	2126893.8	2233238.4	2344900.2	2462144.25	2585251.35
									2022	2023	2024	2025	2026	2027	2028	2029	2030
									\$1,947,029.00	\$1,996,029.00	\$1,987,029.00	\$1,795,129.00	\$2,109,869.00	\$1,942,464.00	\$2,279,533.00	\$1,981,813.00	\$1,773,400.00



Totals by Funding Type

Fund Balance Usage FF

Fund Balance Tax Levy

Total Needed for projects 2022-2030:
\$17,812,995

Total Generate by Franchise Fee 2022-2030:
\$17,100,000

Deficit Cause by Franchise Fee: (not including fund balance)
\$712,995

Total Generated by 15% Tax Levy:
19,294,288.80

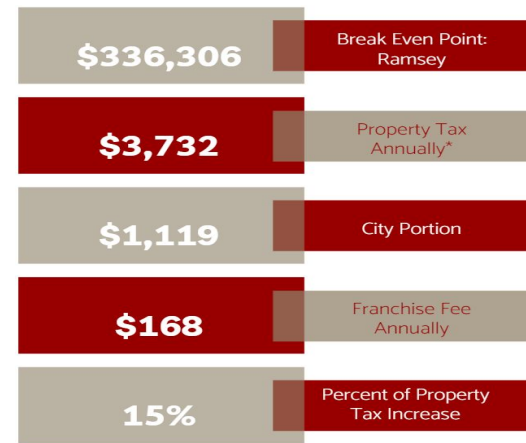
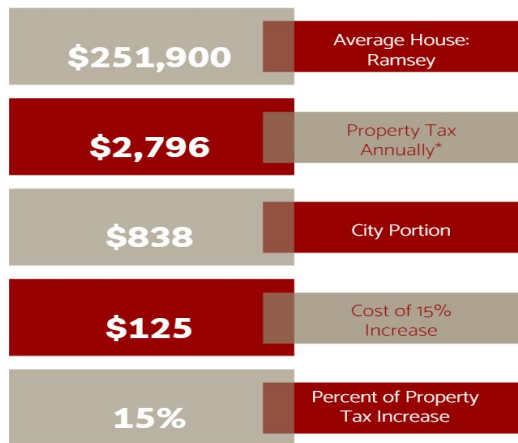
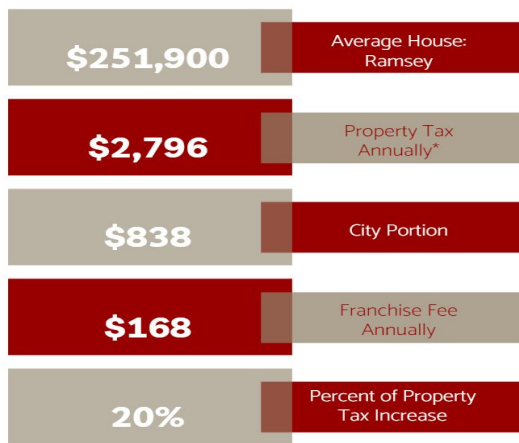
Surplus Generated by Tax Levy: (not including fund balance)
\$1,481,993.80

2022-2029 we will run deficits with the exception of 2025. 2030 will also produce a surplus however the multiple years of fund balance deficits will reduce the surplus of \$425,805 available going into 2022 to -\$276,469 in 2030.

Going into 2022 we will have a projected fund balance of \$425,805. 2022 we will have a deficit of \$197,228. In 2023 we will have a deficit of \$173,738. The total of \$370,966 both year will be covered by the fund balance of \$425,805. After 2024 the fund balance will grow every year, never going below zero.

LESS EXPENSIVE FOR MORE PEOPLE

A 15% increase to the tax levy would pay for roads and be cheaper than a \$14 Franchise Fee for 7,465 out of 9,169 properties listed via the city provided Billing Conversion Code. That equates to a savings for approximately 81% of Ramsey residents. The regressive nature of the Franchise fee is especially apparent for residents with an average home value and even more so for those with home values lower than average.



Average Ramsey Property Pays 20% Under FF

Average Ramsey Property Pay 15% Under TL

Break Even Point is \$336,306 Home Value

Key Objectives



Pay Off Bonding Debt

Spend our excess revenue on paying off debt from bonding



5% Cap on Yearly Increase

Normalize General Levy increases creating a predictable environment for residents and business owners



Proportional Tax System

Get rid of the regressive tax system for a proportional tax system that follows the intent of the tax code



Leverage our own Capital

Borrow from ourselves for future projects instead of bonding for projects



Lower the 15% as Needed

Lower the 15% increase as projects are completed and the city catches up



Encumbered Tax Levy

Protect the 15% Tax Levy increase so all excess revenue stays in the fund and is used to increase project capacity