



Franchise Fee for Future Roadway and Trail Projects

The Chanhassen City Council is evaluating the option to fund the Pavement Management Program through the collection of a franchise fee in lieu of special assessments.

What is a Pavement Management Program (PMP)?

The City of Chanhassen is responsible for the upkeep of 112 miles of city streets and 77 miles of trails. Since the start of the PMP in 1991, the city has made a commitment to provide residents with a systematic program of street and trail rehabilitation and repair in order to assure that the city streets and trails are serviceable, safe, functional, and provide a cost-effective approach to meet the needs of our residents. The City of Chanhassen's PMP strives to expend taxpayer funds to ensure the most value for residents.

Every mile of street and trail is inspected every three years. Distresses such as potholes, cracking, rutting, etc. are entered into a computerized program to calculate a pavement condition numeric value. Streets that are new and have no distresses have a value of 100, while streets that have completely deteriorated have a value of 0. For the past 10 years, the city's overall pavement network value has been around 70 and is considered to be in good condition. The pavement condition values assist staff in developing a list of streets and trails that are in need of maintenance. The goal of the program is to "do the right maintenance at the right time" so costly improvement projects can be delayed as long as possible.

The PMP can also estimate future pavement conditions with future funding projections. Chanhassen has a growing number of streets and trails requiring costly maintenance in the near future. Most of the city streets were constructed in the 1980's and 1990's, and are now coming due for major maintenance. If the city follows current funding and the street repair levels for the next 20 years, the estimated network pavement condition value will drop to 44. This means the average street has deteriorated to the point where the street should be considered to be replaced with a costly reconstruction project. The current city levy for the PMP of \$384,000 will not keep up with the streets and trails in need of maintenance.

What is a Franchise Fee?

Most cities have a franchise agreement with each utility company (gas and electric) for use/rent of city-owned right-of-way for their business purposes.

- **Right-of-way is city property devoted for roadway purposes but is also used for utilities, trails and sidewalks, and snow storage.**
- **By law, cities may charge utilities a fee for use of city right-of-way. Utility providers will likely pass this fee onto their customers.**

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 in Chanhassen; it will have the same effect as a tax. However, it is not levied in the way a property tax is levied, given that franchise fees are not tied to the value of a property. Thus, all single-family homes would pay the same amount toward the PMP 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 and trail systems.

What will the franchise fee funds be used for?

The franchise fees would be set aside in a dedicated fund and will be used solely for expenditures related to the PMP projects such as street overlays and reconstruction, and trail improvement projects.

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 State Statute 216.36). Many cities throughout the state have adopted franchise fee ordinances to help pay for roadways and trails. For example, within Hennepin County, 87% of the population pay 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 PMP.

How much will I be charged?

Charges for residential customers could range between \$4 and \$6 per electric and gas bills every month with a total being \$8 to \$12 for both electric and gas. Commercial and other properties would be charged at a separate rate. This fee would generate approximately \$2.25 million annually. City Council and staff are considering all costs be split equally between residential and commercial properties.

Would the city still assess property owners for street projects?

No. The city is proposing to eliminate the assessment practice if franchise fees are approved. Street projects would be funded through franchise fees and the levy.

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

Yes, the fees are charged by electric and gas meters and you will pay the standard residential fee, if the charge is passed through by the landlord (if you rent). The fee pays for our use and maintenance of public city streets and trails.

How often will the city review the franchise fee for consideration of changing the fee?

The city is planning to review the fee every five years. It is not anticipated that the fee will need to be adjusted in the near term.

Where can I go to find out more information on the proposed franchise fee?

More information about the proposed franchise fee can be found online at:

www.ci.chanhassen.mn.us/franchise

Neighborhood MEETINGS

THE CITY OF CHANHASSEN will also be hosting two-neighborhood meetings to review the information of the proposed franchise fee.

Thursday
FEBRUARY 8, 2018

6-7:30pm

Chanhassen Library
WILDER ROOM

Tuesday
APRIL 10, 2018

6-7:30pm

Chanhassen Library
WILDER ROOM