

Resident Questions/Comments

We just had our street re-done two summers ago and had to pay thousands of dollars. Now you want me to pay a franchise fee for others? Doesn't seem fair

- The city council has already determined that the practice of assessing 40% of the total cost of the project to the benefiting properties will continue into the future. So all property owners will be treated the same as previously assessed projects. The franchise fee and property tax levy increase that is being considered is for the city's portion or the remaining 60% of the total cost of each of the projects.

Can the utility companies distinguish or bill properties in Chanhassen on a different basis? Can the city exempt properties on private streets from a Franchise Fee?

- Minnesota Statutes, Section 216B.03 provides that "[r]ates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of customers." Therefore having a different fee for various types of residential properties is not allowed per state law.
- In addition, the City's Attorney on this matter, James Strommen, clearly points out in his letter dated to city council of November 13, 2018: "courts acknowledge that precise equality in imposing fees or taxes to support government cannot be precise or is "impossible" given the inherent disparity in use of or benefit from the tax use across the taxpayer base." We have found no case even considering a franchise fee exemption due to the argument that a certain percentage of transportation within the City was reduced by private road use. Even the unlikely event of total non-use of public roads would not afford exemption. Similarly, it is settled law that school district residents without children using the schools are not entitled to gain exemption from referendum levies to build and maintain the schools.

We already pay high taxes so why should we have to pay more for roads?

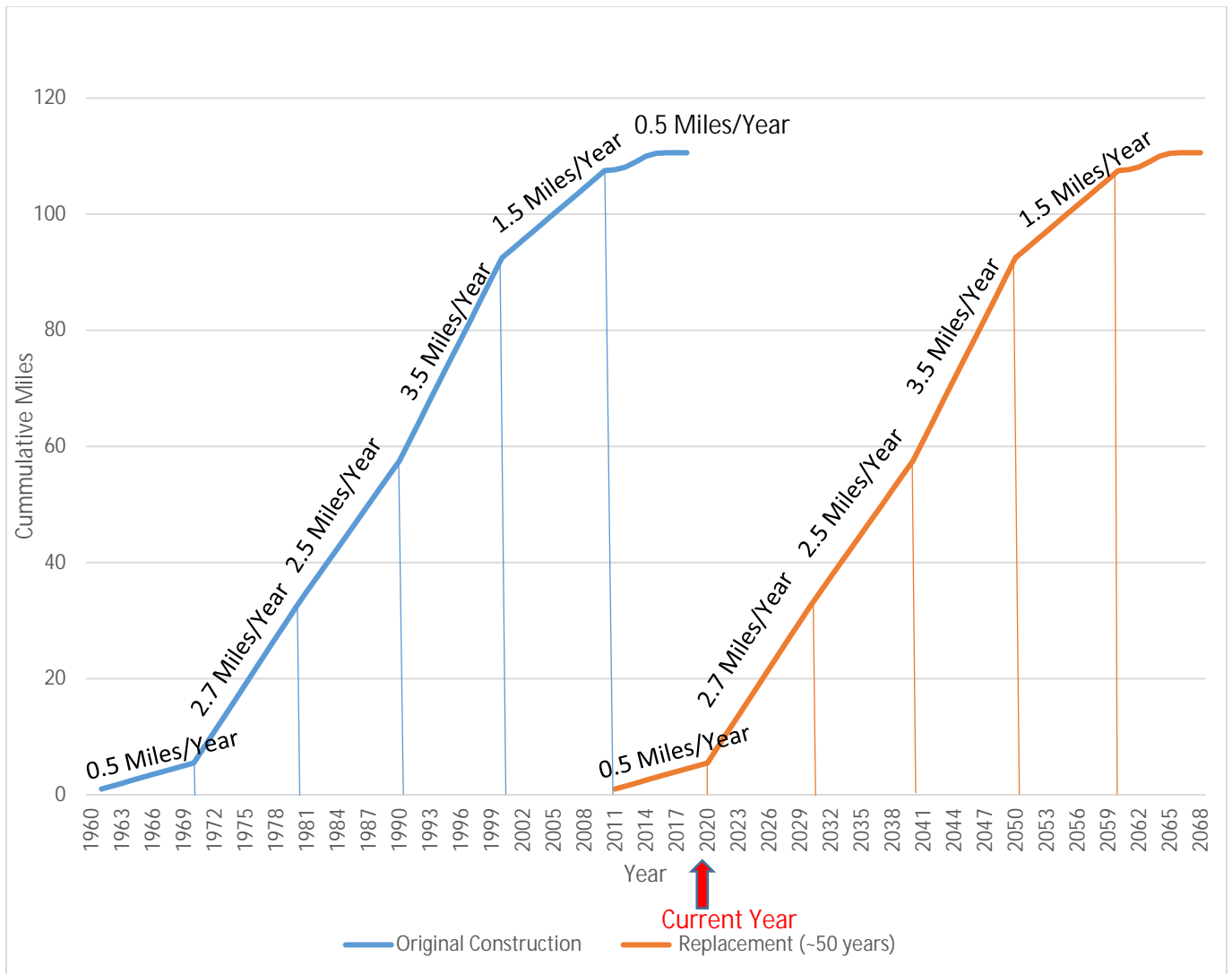
- The city portion of your property tax bill is only 20% of the total. The school district and county each have nearly double the amount of taxes they collect on property owners.
- The City of Chanhassen has the lowest Tax Rate in Carver County and among the bottom 1% of all tax rates in the entire Twin Cities.
- The City Tax Levy increase (new growth) for the past eleven years has resulted in the average home paying the same or less in city property taxes every year.

Because we live on a private street and use the public roads at a fraction of the amount others use public roads, we should get a reduced franchise fee or be exempt.

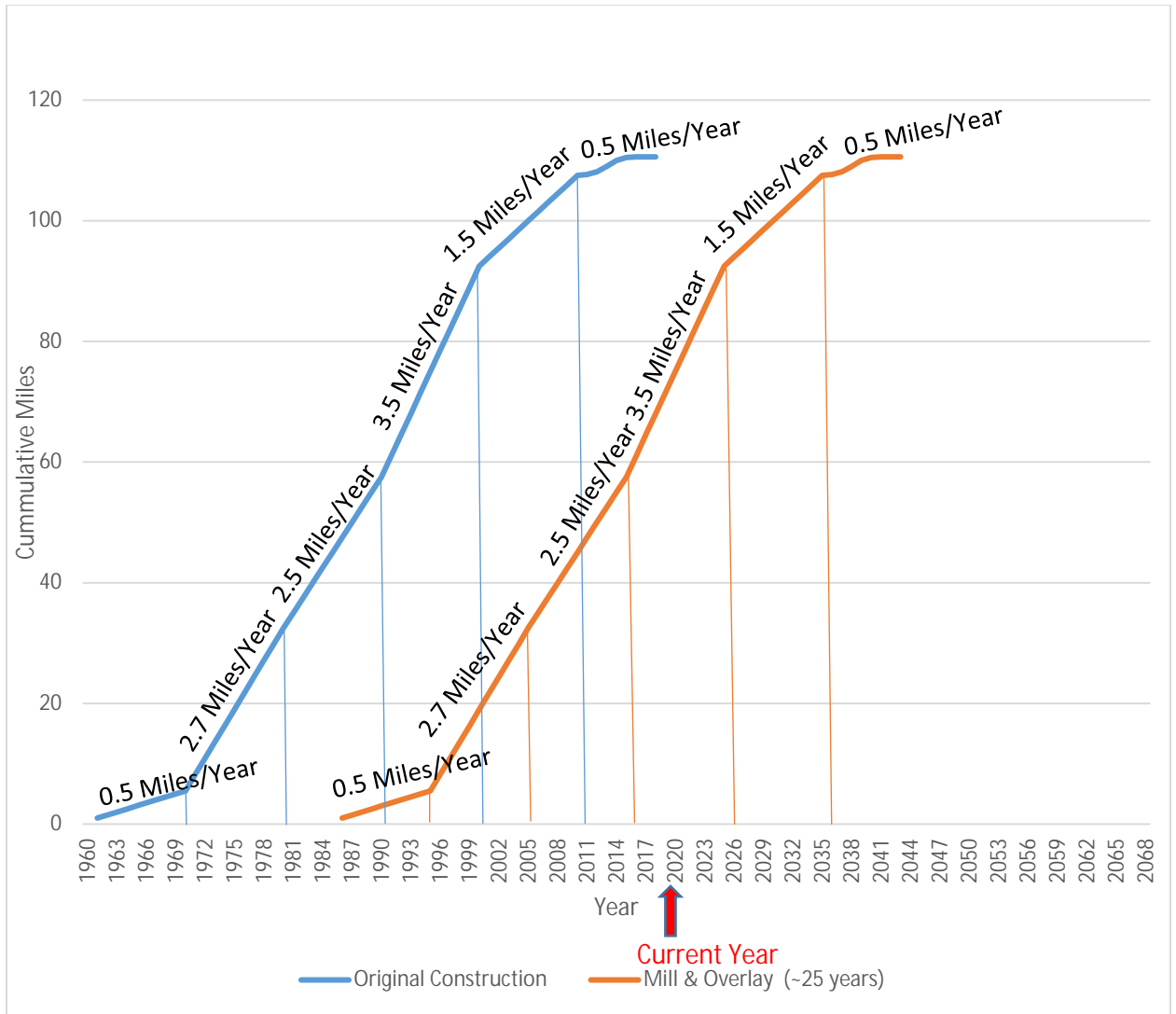
- As noted previously, separate or exempt fees within billing classes is not allowed per state statute.
- The city council is considering the use of Franchise Fees rather than a property tax levy to pay for a portion of the roads in order to have more equity between commercial and non-property tax paying properties, rather than leaving the largest burden on residential properties.
- Example: Based on the proposed funding scenario the average home will pay about \$146/year. If a property tax levy is issued instead of a franchise fee as currently structured, the average home would pay about \$196/year.

What has prompted the need for increased funding for street replacement?

- The life expectancy of a typical street is 50 years. Based on this, the streets that were constructed in the late 1960's and early 1970's are now due for replacement. During the 1960's the city was adding approximately 0.5 miles of streets per year. In the 1970's new development increased significantly and the city was adding approximately 2.7 miles of streets per year. The chart below illustrates the miles of street that have been added to the city's street network over the last 50 years.



- The city is now at the transition from 0.5 miles per year to 2.7 miles per year, so an average of 1.6 miles per year of street replacement is necessary to maintain the city’s street network or the average quality of the street network will continue to decline. The cost for replacement is \$1.5M per mile x 1.6 miles = \$2.4M.
- Similarly, it is critical to perform mill & overlay projects as part of the life cycle maintenance of a street. A mill & overlay involves milling off the top 1.5 inches of bituminous and paving a new surface across the entire street. The appropriate timing for completing mill & overlay projects is when a street is between 20 and 25 years of age. After that a street typically decays to a point where a mill & overlay is no longer viable.



- Based on the chart above, looking back 25 years the city was adding 3.5 miles of streets per year. The city should therefore be completing 3.5 miles of mill and overlay projects each year to maintain the city’s street network or the quality of the streets will continue to decline. The cost for mill and overlay projects is \$0.35M per mile x 3.5 miles = \$1.2M per year.
- Historically, the city has done on average 1.4 miles of mill and overlay projects per year. Since the actual need is 3.5 miles per year, it will take several years to get the city caught up to where we should be.
- The required annual street maintenance cost is therefore \$3.6M. The current annual budget for street maintenance is \$385,000. The funding shortfall is therefore \$3,215,000.

How many miles of public streets and private streets are located within the city?

- There are 115 miles of public streets within the city and 25 miles of private streets.

What is the difference between a public street and a private street?

- A public street is owned and maintained by the city and a private street is typically owned and maintained by a homeowners association. Public streets are designed to meet minimum standards for width and include additional right-of-way beyond the actual street pavement to provide area for utilities such as gas and electric to be installed as well as for sidewalks and snow storage. Private streets are narrower and do not have any right-of-way. This allows the homes on private streets to be located much closer to the street.
- Private streets are primarily located in areas where the housing products are either townhomes or apartments. The primary reason for private streets is that the developers that construct those neighborhoods can fit many more housing units on their property as opposed to what they would be able to build if they had public streets. By having more housing units on their property they are able to keep the price of the homes lower. The tradeoff the developers decide to make is that the homeowners association will need to maintain the private streets in perpetuity.

Do other cities use Franchise Fees?

- Yes, all seven of our neighboring cities have franchise fees. They include Chaska, Eden Prairie, Excelsior, Minnetonka, Shakopee, Shorewood, and Victoria. There are at least 62 other cities within the twin cities that have a Franchise Fee.

Can the Franchise Fees be used for something other than roads?

- The current city council intends for all of the revenue generated from the franchise fee to be used exclusively for streets. However, future city councils could change that and use the franchise fees for something other than streets. The pavement management fund is reviewed with the city council on an annual basis as part of the budget process. That review will continue going forward and any changes in the use of the Franchise Fee would need to be a part of that discussion.

100% against the franchise fee, \$10 a month for 20 years is the eternal tax. Raise the property taxes 1% for 2/3 years and be done with it.

- Whether a property tax or franchise fee is issued the funding need will go on for an identical amount of time going forward into the future. Increasing the property tax levy by 1% per year for three years would only generate about \$400,000 in funding for the pavement management program which is about \$2 million short of the funding need. A property tax increase would need to be in the range of 15%-18%.

Charge the 15 garbage truck companies who drive up and down my cul-de-sac a fee to collect garbage in our city. Those trucks fly around our streets and cause tons of wear not to mention it's dangerous how fast they drive.

- The city does not have statutory ability to charge a special tax or wheelage tax like the county has authority to do. All neighborhoods that are interested have the ability to organize your collection services. The city has a step-by-step guide on how to organize your collection services on the city website at <http://www.ci.chanhassen.mn.us/111/Garbage-Recycling>

Why doesn't the city take over maintenance of the private streets since they already maintain similar sized streets in the Carver Beach area?

- The streets within the Carver Beach area have always been public streets and were constructed early in Chanhassen's history to provide access to the area around Lotus Lake when the housing in the area was primarily summer cabins. These streets do not have concrete curb and gutter and do not meet current city specifications for width. A new development coming into the City of Chanhassen today would not be able to construct these types of streets. Due to their age, the streets within the Carver Beach neighborhood have been grandfathered into the public city street system.
- When private streets are originally approved for development the agreement is that those streets will be privately maintained in perpetuity. There are 25 miles of existing private streets. Performing snow removal on those streets would require two or three additional public works employees along with the associated trucks and equipment to perform the work. This was never agreed to and would be a significant additional cost to the city. The city would not have approved the private streets if it had ever been anticipated that they would be maintained by the city.
- Private streets do not have the comparable property (right-of-way) behind the curb for snow storage that public streets have, often requiring snow to be trucked off site which is costly and labor intensive.
- It is less efficient to plow private streets because it requires the use of smaller vehicles and many of the streets are dead ends requiring a lot of backing up and turning around as compared to plowing straight down a public street. This is also much more labor intensive.
- Most homeowners associations contract the snow removal for each individual driveway with the snow removal of the private streets. It would be nearly impossible for the city to coordinate the removal of the snow on private streets with a separate private company performing the removal of the snow on the individual driveways. It would also be very inefficient.

What type of financial aid does the city receive from the state for road projects?

- The city receives State Aid funds annually. State Aid funds can only be used for construction on roads within the city that are designated as State Aid streets or for the city's cost share on county and state highway projects. The city is allowed to designate 20% of the city's total street mileage as State Aid eligible. To be eligible, the streets need to be higher volume roadways that connect to other State Aid streets or a county or state highway. Some examples of State Aid streets within Chanhassen are Lake Lucy Road, Kerber Boulevard, and Audubon Road. The City receives approximately \$1M per year in State Aid funds. Some recent use of these funds includes the project that was done on Park Road in 2018 and the current project on Lake Drive East. Anticipated future uses of state aid funds are for projects on Lyman Boulevard, Minnewashta Parkway and Galpin Boulevard. On State Aid street projects where assessments are included as part of the project funding, the city uses the State Aid funds to cover the city's 60% portion of the project cost. The remaining 40% is assessed to the benefitting properties within the project area.