

## Franchise Fees Frequently Asked Questions

Q: What is a Franchise Fee?

A: A utility Franchise Fee is essentially rent being paid by a utility company to a city for the use of their rights-of-way for utility transmission lines.

Q: What is the City of Fergus Falls doing with Franchise Fees?

A: The City of Fergus Falls is implementing a 5% fee charged to utility companies that do business here: Lake Region Electric Co., Great Plains Natural Gas, Otter Tail Power Co.

Q: How will the franchise fee be calculated?

A: The Franchise Fee is 5% of gross sales generated by utility customers within the Fergus Falls city limits.

Q: What part of my utility bill will the 5% fee apply to?

A: Everything except taxes will be subject to the 5% franchise fee.

Q: How do the utility companies cover the additional cost of franchise fees?

A: The utility companies will pass this fee on to their customers in Fergus Falls (within city limits/municipal boundary). It may appear on utility bills as "City Fee" or "Franchise Fee."

Q: Who pays a franchise fee?

A: The collection of Franchise Fees is allowed by state statute. All users of utilities contribute – schools, businesses, county government, churches, non-profits, etc.

Q: Will there be a maximum or cap for large utility users/businesses?

A: Yes, there will be a cap of \$1,000 per account/per month/per utility (one electric co and one gas co).

Q: Is a Franchise Fee related to stores and restaurants?

A: No, a "Franchise" fee is not related to a retail or restaurant franchise.

Q: How much money will be raised through this funding mechanism?

A: The estimated revenue the city will raise annually is nearly \$1.3 million (projections from utility companies).

Q: How will the city use this revenue?

A: The revenue will be used only for street improvements such as general maintenance, pavement resurfacing, and/or street reconstruction projects.

Q: How many street improvement projects will be funded each year through the use of franchise fees?

A: The amount of roadwork each year will depend on the project. Whether it is a few blocks reconstruction or many blocks of pavement resurfacing, priority will be given to those streets and utilities with the most need as identified by our City Engineer.

Q: Is this a new concept?

A: No, in fact nearly half of Minnesota cities use Franchise Fees to cover costs. In Fergus Falls, cable subscribers are paying a fee to help fund PEG Access.

Illustrate how this may impact home and business budgets.

Small Home/Apartment - If monthly utilities (gas and electric combined) are \$150/month, then \$7.50/month increase (\$90/year).

Family Home/Small Business - If monthly utilities (gas and electric combined) are \$250/month, then \$12.50/month increase (\$150/year).

Large home/moderate business - If monthly combined utilities are \$500/month, then the estimated increase is \$25/month (\$300/year).



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