

Thank you for attending this evening. The purpose of today's open house is to allow residents to learn more, provide feedback, and ask questions about franchise fees. There will be no formal presentation, however staff is on hand to answer questions and provide information. This handout will provide background information related to the consideration of franchise fees.

Franchise Fee - What is it and why are we talking about it?

Franchise fees are charges levied on utility companies (such as gas, electric, or telecommunications providers) for using public rights-of-way. Cities have the legal authority to impose franchise fees on utility providers through a negotiated franchise agreement where the utility companies pass these fees on to their customers through their bills.

The City of Fergus Falls is considering adding a 5 percent franchise fee on utilities (gas and electric). These fees will be dedicated to funding roadway improvements within the City of Fergus Falls. Before the City Council considers adoption of franchise fees they have asked for public comment and additional information.

Why are Franchise Fees Important?

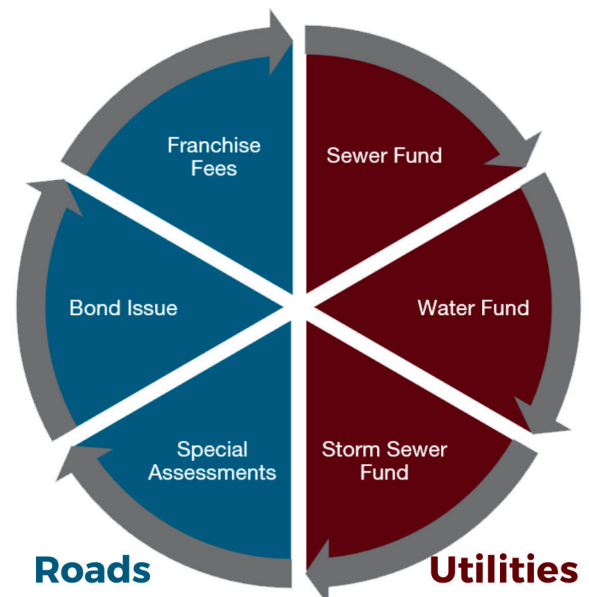
Franchise fees (as proposed) can contribute to the City's revenue stream to support the funding of additional roadway improvements. This diversifies the revenue source(s) reducing the reliance on property taxes. Franchise fees will also apply to tax exempt parcels which can include exempt, non-profits, schools and government entities since they utilize the roadways as well.

How does the City Currently Fund Roadway & Related Utility Projects?

I thought we were talking about roads?

Generally, most roadway projects involve utility work for the sanitary sewer, water main and storm sewer systems in addition to the road. It makes sense to make these improvements at the same time as repairing the road because they are located beneath the road surface. These are paid for through various funding sources that are limited as to how they can be used.

The sanitary sewer, water main and storm water utilities are paid through dedicated user rates. The roadway has historically been paid for by a combination of special assessments and bond issue. The bond issue is re-paid through property taxes. The City is looking at the opportunity to diversify the funding allocated to the roadway with the incorporation of franchise fees. This way the bond issue can be re-paid by both property taxes and franchise fees.



So how much are we talking about?

What is the proposed monthly rate for franchise fees?

The table to the right shows what the increase would be if a 5 percent franchise fee is added to the monthly gas and electric utility bill. The amount of your gas and electric utility bill each month will dictate the increase.

There is a proposed cap for large users of \$1,000 per month per utility account.

Example

Monthly Combined Utilities (Gas and Electric)	Monthly Increase in Utility Bill	Annual Increase in Utility Bill
\$150	\$7.50	\$90.00
\$250	\$12.50	\$150.00
\$500	\$25.00	\$300.00
\$750	\$37.50	\$450.00
\$1,000	\$50.00	\$600.00
\$5,000	\$250.00	\$3,000.00

If Franchise Fees are adopted at 5 percent, what impact does that have on the ability to do projects?

A 5 percent franchise fee is estimated to generate \$1.3 million annually.

The proposed Capital Improvement Plan 2024 - 2033 has \$65.5 million budgeted for street and utility related projects. The need for street only costs is \$26.7 million. As a Fast-Track Capital Improvement Plan is realized, city utility rates (sewer, water, garbage, etc.) will increase to support the related needs.

Increase to utilities: Baseline to Fast-Track
 +\$3.18 (sewer, water, storm)
 +\$12.50 (franchise @ \$250 combined)
 Total increase over base: \$15.68/month
 Total Annual Increase: \$188.16

Average Residential Utility Bill

(assumes 6,000 gallons of water usage)
 Baseline Capital Improvement Plan

	Current Monthly Rate	Base CIP 2024 Proposed Monthly Rate	\$ Increase	Increase
Garbage (65 gal. can)	14.38	14.88	0.50	3.5%
Refuse Disposal (65 gal. can)	7.73	8.00	0.27	3.5%
Waste Management Tax (9.75%)	2.16	2.23	0.08	3.5%
Recycling	6.50	7.00	0.50	7.7%
Tree Management	1.50	1.50	-	0.0%
Sewer (5/8" meter)	36.67	38.50	1.83	5.0%
Water (5/8" meter)	39.52	41.89	2.37	6.0%
Storm Water	8.75	9.50	0.75	8.6%
Monthly Total	117.20	123.50	6.30	5.4%
Annual Total	\$ 1,406.45	\$ 1,482.01	\$ 75.57	5.4%

Average Residential Utility Bill

(assumes 6,000 gallons of water usage)
 Fast-Track Capital Improvement Plan

	Current Monthly Rate	Full CIP 2024 Proposed Monthly Rate	\$ Increase	Increase
Garbage (65 gal. can)	14.38	14.88	0.50	3.5%
Refuse Disposal (65 gal. can)	7.73	8.00	0.27	3.5%
Waste Management Tax (9.75%)	2.16	2.23	0.08	3.5%
Recycling	6.50	7.00	0.50	7.7%
Tree Management	1.50	1.50	-	0.0%
Sewer (5/8" meter)	36.67	39.60	2.93	8.0%
Water (5/8" meter)	39.52	43.47	3.95	10.0%
Storm Water	8.75	10.00	1.25	14.3%
Monthly Total	\$ 117.20	\$ 126.68	\$ 9.48	8.1%
Annual Total	\$ 1,406.45	\$ 1,520.17	\$ 113.73	8.1%

**Effective April 2024

The following information reflects the impact to property taxes with and without the adoption of franchise fees.

Tax Estimate - Home Values (Annual-City Portion)

Cost of Home	2024 Proposed with Franchise Fee	2024 Proposed without Franchise Fee
\$150,000	\$690	\$800
\$250,000	\$1,286	\$1,491

Tax Estimate - Commercial (Annual-City Portion)

Cost of Business	2024 Proposed with Franchise Fee	2024 Proposed without Franchise Fee
\$1,000,000	\$10,521	\$12,199
\$2,000,000	\$21,451	\$24,874

Scan this QR Code to answer 4-questions to provide feedback related to the topic of franchise fees.

