



Frequently asked questions (FAQ's) concerning the implementation of franchise fees for the City of Dundas

What is the Pavement Management Program?

The City of Dundas has the responsibility for the upkeep of approximately 11 miles of city streets within its boundaries. This includes seasonal maintenance activities such as snow removal, crack sealing, street patching, street sweeping, as well as structural maintenance of the street.

The City of Dundas has made a commitment to its residents and businesses to provide a systematic program of street rehabilitation and repair in order to assure that the City streets are serviceable, safe, functional, and provided at a reasonable cost to meet the needs of our residents, businesses and the traveling public.

The City of Dundas Pavement Management Program (PMP) strives to expend taxpayer funds in a cost-effective manner in order to ensure the most value for taxpayers.

Every mile of Dundas streets are evaluated and assigned an Overall Condition Index (OCI). The OCI is a numeric reflection of the structural integrity of the pavement including potholes, cracking, rutting, etc. The OCI assists staff in developing the list of the streets that are in need of maintenance. OCI ratings were determined in August of 2022. A map of these ratings is available on the City's website. City staff analyzes the recommended streets and proceeds with improvements in a manner that make sense and is within the funding provided. The goal of the program is to do the right maintenance at the right time.

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 (Xcel Energy) in Dundas, and it could be said that it has nearly the same effect as a tax. However, it is not levied in the way that a property tax is levied, given that the franchise fees are not tied to the value of a property. Thus, all single-family homes would pay the same amount toward the Pavement Management Program assuming they have both gas and electric services. Specifically, franchise fees are a method of collecting funds from a utility company who uses City rights of way. These funds are typically passed directly through to all commercial businesses, tax exempt properties and residents.

What will the franchise fee be used for?

The franchise fees will be set aside in a dedicated fund (Street Improvement Fund) and will be used solely for expenditures related to the Pavement Management Program for the City's streets.

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 Statute 216B.36). Many cities throughout the state have adopted franchise fee ordinances. In Rice County, both the cities of Northfield and Faribault have adopted franchise fee ordinances.

This fee is in lieu of levying special assessments for traditional pavement management street improvement projects (i.e. mill and overlay and street reconstruction.) The fee is intended to finance these projects and eliminate property owners receiving a large unanticipated special assessment.

A flat fee is charged on each customer's monthly electric/gas bill. The fee is charged on a per-meter basis based on the property's classification. Residents should see a \$5.00 fee on their electric bill and a \$5.00 fee on their gas bill every month.

A street assessment is a fee levied against properties that receive direct benefit from a public improvement, such as a street improvement, and are typically limited to the properties that directly abut said improvement. Street assessments are levied according to Minnesota Statutes 429.

Home and business owners are assessed for street improvement projects and owners typically pay between 20% to 50% of the project costs based on the benefit of the improvement to property. The type of street improvement can vary, from a Mill and Overlay, to Reclamation, to Reconstruction. The expected life of a street is 60 years. Typically, you will have one type of street improvement on your street every 20 years, two mill and overlays and then a full street reconstruction.

Typical special assessment policies regarding street improvement projects, home and business owners are assessed based on the amount of front footage the property has adjacent to the project street. These assessments can be quite costly and if not paid in full upfront, are added to a parcels property taxes and collected over a period of time (typically 15 years) and accrue interest as well.

What are the benefits of franchise fees over a street assessment?

- Smaller monthly fees instead of one large assessment
- All typical single-family residential properties (assuming they have only one gas meter and one electric meter) would pay the same amount towards street improvements regardless of size of home or number of cars/drivers.
- Less time-consuming and substantially less costly overall for the city.
- Keeps maintenance and reconstruction on a proactive and timely schedule
- More equitable to people who move into, out of, or within the city

How much will I be charged?

Beginning in January 2024, residents will be charged \$2.25 on electric and \$3.25 on gas every month. Commercial/industrial properties will be charged based on the below

schedule. You need to call your Xcel Energy to find out your classification. The noted rates will generate approximately \$125,457 annually.

Electric:

- Residential - \$2.25
- Small Commercial/Industrial – Non-Demand – 3.25
- Small Commercial/Industrial – Demand - \$25.00
- Large Commercial/Industrial - \$740.00

Gas:

- Residential - \$3.25
- Commercial Firm – Non-Demand - \$18.00

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

Yes, the fees are charged by electric and gas meter and you will pay the standard residential fee. The fee pays for your use and maintenance of the public city streets.

I have multiple bills for two or more meters on my property, Do I pay the fee more than once?

The franchise fees is an account-based fee on each premise and not a meter-based fee. If you have multiple meters on the same bill, you will be charged only for the largest meter. If you have specific questions on your bill and/or meters, you will need to contact Xcel Energy directly.

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

The franchise fee may be increased or decreased by ordinance from time to time, however any such change may not occur more often than annually.

Why doesn't the City charge a fee to each property owner for street maintenance? Why go through a third party for collection?

State law does not allow the City to charge a direct fee for maintenance of our system (i.e. a street utility fee). State law does allow for the collection of a franchise fee from utility service providers for their use of the right-of-way. This, the fee will be charged to the utility companies and then dedicated to maintaining the City street system.

When will the fee collection end?

The monthly franchise fee will run indefinitely until the ordinance is changed by the City Council.

How are street reconstruction projects paid for?

A street reconstruction project not only repairs the pavement, it also repairs the existing utilities and installs drainage infrastructure where needed. This is done so the road pavement will not have to be disturbed again for several years. The projects are typically paid for by a combination of funds:

- Bonds, paid by city tax levy
- Storm water utility funds
- Water utility funds
- Sanitary Sewer utility fund
- Franchise fees (now being proposed for the street portion)